



GREEN FINANCING FRAMEWORK

MAY 2020

Contents

- p.03 Introduction
- p.12 Use of proceeds
- p.14 Project Selection & Management of Proceeds
- p.16 Reporting & KPIs
- p.18 Appendix

Coriance is a leading French independent District Heating (“DH”) business in France, providing environmentally and financially sustainable DH to local communities.

Headquartered in Noisy-le-Grand near Paris, Coriance operates a portfolio of 34 DH concessions under the Délégation de Service Public (“DSP”) framework and 1 private contract.

Coriance serves a diverse range of customers including public & private housing managers, schools, universities, hospitals, municipal buildings and industrial customers.

The Company has a well-invested and environmentally sustainable asset base, with a renewable production rate of c. 68% versus market average of c.55% - driving the transition to renewable generation in the French DH market.

Coriance won the IJGlobal Best Asset Performance award in 2019, rewarding the group’s outstanding operational and technical expertise.

French district heating today serves c. 5% of the population, representing one of the lowest DH penetration rates in Europe. Despite a low penetration rate, the market is well developed with 25TWh heat production across 781 DH networks in 2018 and is expected to increase to 1 000 networks by 2030.

An increasing focus on energy and environmental efficiency has led to DH becoming a key element of France’s wider energy policy – an important aspect of which is the 2015 Energy Transition Law (“ETL”) that sets ambitious energy efficiency targets such as achieving 38% of heat production through renewables by 2030. As the forerunner in French renewable heat generation, Coriance is leading the way in this regard.

District heating is located and distributed centrally, satisfying residential and commercial heating needs such as hot water and space heating. The heat was traditionally generated via fossil fuel plants, but increasingly these are being replaced by ‘greener’ methods, such as biomass boilers, waste

1 - Introduction

incinerators and geothermal systems. The benefit of district energy plants is that they have the ability to provide more efficient heating and better control of pollution when compared to local boilers.

Coriance seeks to act as a responsible and sustainable operator on the energy market. The interests of stakeholders from customers and employees to the society at large are considered in the Company's strategic planning which, in practice, means an emphasis on good business ethics and environmental values. In addition, Coriance focuses on having effective management control systems in place, as well as providing its employees with a safe work environment.

The Company has an environmentally sustainable and cost efficient production profile which enables cost-efficient delivery of heat, with minimal environmental impact. The Company's operating model is based on four pillars :

- Designing, building and financing the network and production facilities
- Operating and maintaining infrastructure assets
- Optimising energy consumption at sites
- Procurement expertise (gas, wood and electricity)

Due to Coriance's commitment to renewable energy, biomass, geothermal and Energy from Waste ("EfW") continues to grow and now account for c.68% of the heat production mix. The Company remains committed to increasing its renewable generation asset base.

Coriance delivers sustainability through a number of avenues :

- 23 geothermal wells with a total installed capacity of 57MWth which allows for environmentally friendly and energy efficient heat delivery to local customers
- 22 biomass sites with wood sourced locally enabling a move towards carbon neutrality
- Connecting DH networks to waste to energy (WtE) facilities to offtake latent heat generated by their process
- Avoiding more than 300,000 tonnes of CO2 emitted each year, with the lowest CO2/kWh content of the French DH market (0.094kg/kWh vs. market at 0.116kg/kWh in 2018)

Pollution prevention and control

As a leading district heating company with access to carbon neutral biomass, waste and recycled waste heat, Coriance are in a unique position to address climate change. Coriance significantly enhance the energy efficiency of communities and drive down fossil fuel use, and the Company seek to achieve this whilst substituting fossil-based and other non-renewable fuels with renewable fuels, such as biomass and waste.

1 - Introduction

Biomass Supply

According to EU regulation and thus nationally acclaimed targets in the member states, the biomass combustion for energy is considered to result in zero CO₂ (carbon) emissions. This is essentially an acknowledgement that the growing forest absorbs and offsets the biomass-based combustion CO₂ emissions, leaving the carbon cycle in balance. Coriance procures biomass from local environmentally-sustainable forestry suppliers, including afforestation and reforestation, and preservation. This ensures net zero CO₂ emissions from its supply chain.

Waste to Energy Heat Recovery

Coriance has signed selected contracts with WtE facilities to offtake latent heat from these sites and deliver the energy to Coriance's local network. Thus, the waste to energy plant can produce both electricity and heat from the same resource.

Geothermal Energy

Coriance operates a large share of the geothermal wells in the Paris region (23 in total). This energy source will represent 18% of its production mix in 2020.

Efficiency : the DH advantage

DH is an energy efficient solution for residential and commercial heating needs, and Coriance is constantly looking for ways to further improve its asset efficiency. By producing heat in a consolidated manner, it removes replicated infrastructure at each customer and is able to provide more environmentally friendly solutions that are only possible with scale – for example : geothermal wells instead of individual gas boilers.

Coriance's Health, Safety and Environmental Policy

Coriance is committed to the highest possible health, safety and environment ("HSE") performance. The Company aims in this respect are :

- Energy and environmental efficiency
- Reduction of accidents frequency and severity rate
- No HSE violations
- Effective reporting and follow-up

In support of these aims, the Company policy is to establish, maintain and monitor these to ensure an effectively working HSE system. In addition, the Company is committed to a policy of :

- Accident severity and frequency rates have decreased by 70% and 67% respectively since 2016
- The majority of sites are quadruple certified: ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001
- Continuous assessment of all areas of the business to ascertain their impact on the HSE of staff, contractors and visitors
- Implementation of all necessary policies, procedures and control measures
- Using the best available techniques in processes
- Effective monitoring and control of environmental emissions, waste and energy efficiency to minimise the environmental impact of the Company's activities

1 - Introduction

- Sustainable development goals for Coriance have been set in line with the United Nations' recommendations applicable to the industry
- Active involvement in reforestation to tackle climate change and preserve biodiversity

Coriance's sustainability governance structure, guidelines and policies

Sustainability is integral to Coriance's corporate governance. Being a responsible operator in the energy market is a key objective which guides the overall framework of Coriance's operations, which includes maintaining clear environmental values and business ethics, and carrying out continuous improvements related to safety and environment.

Our environmental agenda is aligned with Green Bond Principles

Coriance's environmental agenda focuses on the following aspects material to the company and key stakeholders :

1. Lowering of greenhouse gas emissions, pollution and fossil fuel dependence to make energy consumption sustainable
2. Maximising energy efficiency of the network
3. Effectively managing and minimising air emissions and promoting efficient waste-to-energy systems
4. Incorporating environmentally sustainable management of living natural resources into the governance framework

[1] The DH sector is largely based on renewable energy sources and is considered to be a highly sustainable form of heating, leading to widespread political support. Biomass is abundantly available in France, and following extensive investment, all of Coriance's plants operate their base load using renewable energy, with biomass accounting for c. 32% of heat production

{2} Improving the energy efficiency of its networks is a key component of Coriance's long term business plan.

{3} Increasing the capacity and capability to expand the use of waste fuel in its fuel mix is a key component of Coriance's business strategy going forward.

{4} Coriance has renewed its long-standing partnership with Reforest'Action underlining the Company's commitment to maintaining biodiversity. Since 2016 :

- 1,026 tonnes of CO2 have been stored
- 20,458 animal shelters have been created

1 - Introduction

Green Financing of Coriance

Coriance's long-term goal is to secure funding partnerships with institutions that have sustainability as a fundamental part of their agenda. We firmly believe the financial industry will play an integral role in the transition to a low carbon economy and aim to influence and develop the financial markets to ensure that sustainability becomes an integral part of decisions and credit evaluation.



Coriance is looking to align its funding strategy to comply with green principles, and will require access to sufficient, flexible and competitively priced funding when needed to pursue and achieve its targets. The Company's focus has therefore been to build confidence and a track record with funders by being informative and transparent.

This Green Financing Framework is based on and aligned with the 2018 version of the Green Bond Principles (GBP) and 2019 version of the Green Project Mapping, published by the International Capital Markets Association (ICMA). To confirm such alignment, Coriance has commissioned Sustainalytics as an external reviewer to provide a second-party opinion on this framework.



Picture : Commentry Biomass Cogeneration Plant

2 - Use of proceeds

In accordance with the Coriance Green Financing Framework, 100% of the proceeds from the drawn term debt financing raised during Project Vulcan ("Green Term Debt") will be used to capitalise Coriance as a sustainable company and refinance its existing senior financial indebtedness (€100m) and the Eligible capex over the next two years (€50m). In turn, the existing senior financial indebtedness, which is already in place and has been refinanced previously, supported historic capital expenditure projects that fall within the Eligible Green Project Criteria and that have converted Coriance's assets into the sustainable projects they are today – see relevant eligible Green Project criteria presented below and a list with a selection of historical and future Eligible Projects. As such, all the net proceeds of the Green Term Debt are expected to be fully allocated.

As referred to above, Coriance's ongoing operations fall within the following Eligible Green Project Categories :

1 - Eligible Renewable Energy Projects

These projects gathers the investment or the financing of the studies, the conception and the construction of renewable energy plants. These units will use non fossil energy as primary energy source which specifically includes biomass and geothermal. The investments in distribution network or the removal of fossil energy unit associated to a renewable energy production unit are included as well.

2. Eligible Energy Efficiency Projects

This includes heat or cooling network distribution using central heat production unit, cogeneration plants delivering heat and electricity, heat pump, operating or IT system optimizing the energy management and storage project of energy coming from renewable energy to avoid the consumption of fossil energy during peak electricity demand.

2 - Use of proceeds

The financing of energy efficiency program for final customers (building insulation, low heat consumption individual units, individual energy efficiency studies) are also included.

3. Other Eligible Projects

This includes any acquisition or minority participation or more generally any investment in entity or project promoting one of the two previous category (Renewable Energy or Energy Efficiency): R&D investments, IT projects, electricity production from renewable energy. As mentioned, the proceeds from the Green Term Debt will refinance a selection of recently completed Eligible Projects. These projects are listed below and have been historically funded by bank debt and shareholder funds

4. Selected Historical and Future Eligible Projects

Period	Year(s)	Concession	Investment Description	Green Funding Provided (€m)	Eligible criteria
2016 2019	2016 - 2018	Villers	Drilling new geothermal wells	7,5	Renewable Energy Project
	2016 - 2019	Briançon	Construction of district heating network (biomass)	7,5	Renewable Energy Project Energy Efficiency Project
	2017 - 2019	Blanc-Mesnil	Drilling new geothermal wells and installation of a heat pump	7,5	Renewable Energy Project
	2017 - 2019	Valence	Construction of district heating network (biomass)	10,0	Renewable Energy Project
	2017 - 2019	Brive	Creation of a district heating network (biomass WtE recovery)	12,5	Renewable Energy Project Energy Efficiency Project
	2019	Commentry	Acquisition of a biomass cogeneration facility	55,0	Renewable Energy Project
Subtotal				100,0	
2020 2022	2020 - 2022	Cergy-Pontoise	Dismantling of coal boilers, large scale network, refurbishment, conversion of network from high pressure to low pressure	35,0	Renewable Energy Project Energy Efficiency Project
	2020 - 2022	Castres	Construction of district heating network (biomass)	5,0	Renewable Energy Project Energy Efficiency Project
	2020 - 2022	Val d'Europe	Creation of a district heating network (biomass, geothermal)	10,0	Renewable Energy Project Energy Efficiency Project
Subtotal				50,0	
TOTAL				150,0	

3 - Project Selection & Management of Proceeds

Process for project evaluation and selection

Strategic projects financed and/or refinanced through the Green Financing proceeds are evaluated and selected by the Executive Committee and representatives other parties nominated as subject matter experts.

Coriance uses a top down approach to identify and evaluate brownfield and greenfield opportunities in the French DH segment. The Company maintains a project pipeline, providing visibility of the opportunities expected to come to market over the next 18 months, particularly in relation to concessions close to maturity. Management evaluates these opportunities against clear investment criteria.

In addition to evaluating the financial aspects of any investment, Coriance also evaluates the local, political and social environment, for example the ability to source fuel locally and the suitability of the required technical solution. Coriance's management puts significant emphasis on maintaining strong, constructive and open relationships with key stakeholders, particularly with local authorities.

The Company aims to incorporate ESG principles in all stages of the investment cycle with a particular focus on acting as a catalyst for industry best practices.

Management of Proceeds

Financing is organised by the management team and the CFO, although the Company governance model comprises engineers and experts to ensure alignment to the Company's overall green strategy.

Coriance intends to allocate the proceeds from this Green Financing to refinance the debt drawn for the eligible projects and to finance already identified eligible projects in the near future (see table page 13). Should a number of these projects be significantly delayed or deferred, Coriance will allocate the funds towards new, Eligible projects.

3 - Project Selection & Management of Proceeds

Any Green Financing raised for use towards financing or refinancing of eligible projects will be tracked specifically.



Picture : Coriance's DH installation of 11 geothermal wells in Meaux, delivering 170GWh of heat

4 - Reporting & KPIs

Annual reporting

In accordance with the Green Bond Principles, Coriance will provide an annual information update to its investors and lenders pertaining to its green activities.

This update will be made available to investors and lenders on confidential basis according to the provisions in the financing documents and provided electronically, and-or by way of presentations.

The reporting will include an allocation of the Green Financing funding :

- A breakdown of proceeds in accordance with the areas highlighted under Use of Proceeds, in accordance to the table on page 13
- The amount of unallocated proceeds or undrawn commitments at the time of reporting
- A brief description of the activities financed

In addition to the funding allocations, Coriance will provide the Green Financing KPIs presented below demonstrating the benefits derived from the Eligible Projects. These KPIs will be reported on a consolidated basis since Coriance, as a whole, is an actor in the green energy transition.

These KPIs demonstrate the Company's continuous commitment to sustainability. Coriance may adjust these KPIs in the future if relevant, for example if a new Eligible Project requires a specific KPI to track its impact. For Eligible Activities where KPIs cannot be systematically measured Coriance will seek to provide qualitative information on the goals, assumed positive environmental impact, and results of the activities financed.

Proposed KPIs for Coriance's Green Financing ⁽¹⁾

Period	Year(s)	Concession
Renewable Energy	Renewable Energy Rate	% of heat production derived from renewable energy sources
	CO2 Emission Intensity	CO2 emissions per GWh produced
	Tonnes of CO2 Avoided	Tonnes of CO2 avoided by producing with renewable energies instead of natural gas
Production Mix	Geothermal	% of heat production from geothermal sources (including associated heat pumps)
	WtE Recovery	% of heat production from incineration and other WtE facilities
	Biomass	% of heat production from biomass sources
	Natural gas	% of heat production or cogenerated from natural gas
	Other	% of other including biomethane ("green gas"), oil, other
Efficiency	Volumes solid	Volumes of heat solid (residential equivalent units)
	New customers signed	MW of capacity signed with new customers
	Heat Losses	Network losses as percentage of heat produced (%)

Note : (1) Coriance will seek to develop the relevant KPIs for Eligible Activities depending on projects. For Eligible Activities where KPIs cannot be systematically measured and reported on Coriance will seek to provide information on the goals, assumed positive environmental impact, and results of the activities financed.



Coriance

APPENDIX

Coriance's Green Financing Framework

<https://www.groupe-coriance.fr/medias>

Second Party Opinion (pre-issuance)

This Sustainability Finance Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion ("SPO"). The SPO will be made available to the Sustainability Bond investors on :

<https://www.sustainalytics.com/sustainable-finance/wp-content/uploads/2020/06/Coriance-Green-Financing-Framework-Second-Party-Opinion.pdf>

Acknowledgment

This Green Financing Framework has been developed with the support of DC Advisory Limited



DISCLAIMER

This Green Financing Framework has been prepared by Coriance Direction SAS and its subsidiaries (the “Group”) in connection with the potential refinancing of the Group.

No member of the Group nor direct or indirect shareholders, controlling persons or other affiliates of any member of the Group (which for these purposes includes Coriance Direction (ex-First State DH), nor the investment advisers or investment managers of such direct or indirect shareholders, controlling persons or other affiliates, nor their respective directors, officers, members, partners, employees, affiliates, agents and advisors (the “Wider Group”), in providing this Green Financing Framework, accepts or assumes responsibility for any purpose or to any person to whom this Green Financing Framework is shown or into whose hands it may come except where expressly agreed with the prior written consent of the Group. No member of the Wider Group has verified or will verify any part of this Green Financing Framework. This Green Financing Framework may not be copied, referred to or disclosed in whole or in part to any person or persons (including, affiliates of potential lenders or third parties) without the prior written consent of the Group and following such consent without the proposed recipient acknowledging in writing that the Wider Group assumes no responsibility or liability whatsoever to them in respect of its contents. The Wider Group reserves the right to require the return or destruction of this Green Financing Framework, together with any copies thereof, at any time.

The reader of this Green Financing Framework acknowledges that this Green Financing Framework does not purport to include all information, facts, analysis and procedures deemed necessary for the purposes of the reader or to satisfy the reader’s requirements, needs or interests, and any reader hereof should conduct its own investigation and analysis. The reader agrees that the Wider Group neither owes nor accepts any duty or responsibility to the reader, whether in contract or in tort and shall not be liable in respect of any loss, damage or expense of any nature which is caused by any use the reader may choose to make of this Green Financing Framework.

This Green Financing Framework may contain statements, estimates and targets as well as statements describing subjective views and opinions regarding the Group’s strengths, prospects, competitive profile and business environment.

All such statements, estimates and targets are based on significant assumptions and subjective judgments concerning anticipated results and other circumstances, which are inherently subject to risks, variability and contingencies, many of which are beyond the control of the Wider Group. These assumptions and judgments may or may not prove to be correct.

The Green Financing Framework includes certain projections and forward-looking statements provided by the Group with respect to the anticipated future performance of the Group. Such projections and forward-looking statements reflect various assumptions of management concerning the future performance of the Group, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Group. Accordingly, there can be no assurance that such projections and forward-looking statements will be realised. The actual results may vary from the anticipated results and such variations may be material. No representations or warranties are made as to the accuracy or reasonableness of such assumptions or the projections or forward-looking statements based thereon. Only those representations and warranties that are made in a definitive written agreement relating to a refinancing, when and if executed, and subject to any limitations and restrictions as may be specified in such definitive agreement, shall have any legal effect.

The reader also agrees that this Green Financing Framework may not be quoted or referred to, in whole or in part, without the prior written consent of Group.

The distribution of this Green Financing Framework in certain jurisdictions may be restricted by law and, accordingly, each recipient represents that they are able to receive this Green Financing Framework without contravention of any unfulfilled registration requirements or other legal restrictions in the jurisdiction in which they reside or conduct business.

Nothing in this disclaimer excludes liability in the case of fraud or to the extent it is not lawfully possible to exclude liability.

