



# 2018 ESG REPORT



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## I. FOREWORD

At RGREEN INVEST, we are committed to structuring our business responsibly and sustainably. As such, RGREEN INVEST is the first of its kind green infrastructure-financing platform.

We invest in infrastructure projects contributing to the ecological and climate transition, predominantly in the European Economic Area, with a focus on renewable energy. The choice to support the ecological and climate transition is representative of our deep-rooted commitment to a sustainable, responsible energy system. We wish to bring value to our investors as well as to our communities by ensuring that our investments directly contribute to the global climate targets set in the Paris Agreement during COP21 in 2015 and reiterated at COP24 in 2018.

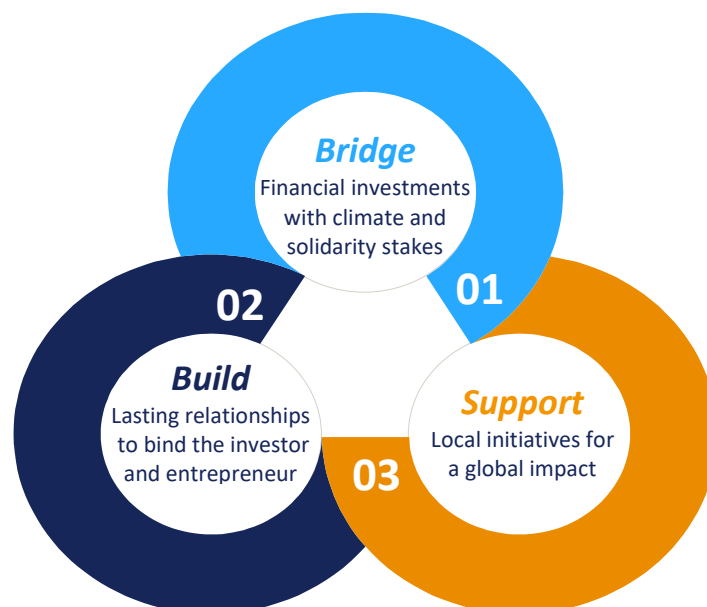
We believe that investing in the energy transition is a remarkable opportunity to foster sustainable development and economic progress, while fighting climate change.

We have the responsibility to safeguard our planet and we strive to achieve so through our investments. Alongside our partners in development, operation, and production, our investments help avoid CO2 emissions by promoting local and clean energy; developing energy saving capabilities and stimulating economic growth and resilience within communities.

Through our work, we also have a duty to be trustworthy, to our investors, our local stakeholders, and our most important resource – our employees.

Last but not least; we seek to commit to societies and communities by promoting responsible investment practices in our industry. We strive to do so by being a leading responsible investor.

As an evolving asset management company, we place our values and culture at the heart of our relationships and in every decision we take:



In full alignment with these values, RGREEN INVEST has decided to publish its first ESG Report. We are convinced that integrating environmental, social, and governance issues, measuring our performance, and informing our stakeholders will help consolidate our value creation and reinforce our mission.



## II. RGREEN INVEST PRESENTATION

### WHO ARE WE ?

- French Asset Management Company founded in 2013.
- RGREEN INVEST supports the growth and development of energy projects throughout Europe.
- INFRAGREEN strategies support partners over the long run through equity and quasi-equity investments.
- Key partners are institutional investors such as the European Investment Bank (EIB).

### GEOGRAPHICAL & TECHNOLOGICAL DISTRIBUTION



 Solar : 45%

 Wind : 47%

 Biogas, Biomass: 6%

 Geothermal, Storage, Efficiency: 2%

### INVESTMENT STRATEGIES

#### INFRAGREEN I

FPCI invested mainly in bonds and convertible bonds across infrastructure projects related to energy transition mainly in France.

**400MW FINANCED**

**12 DEVELOPERS ACCOMPANIED**

**96M€ INVESTED & REINVESTED**

#### INFRAGREEN II

FCT invested in bonds and convertible bonds across renewable energy projects in Europe.

**650MW FINANCED**

**13 DEVELOPERS ACCOMPANIED**

**162M€ INVESTED**

**TEEC CERTIFIED**

#### INFRAGREEN III

FPCI investing in equity or quasi-equity across infrastructure assets, mainly ready to build (greenfield) or under construction, in the energy transition of the European Economic Area.

**500MW FINANCED**

**15 DEVELOPERS ACCOMPANIED**

**163M€ INVESTED\***

**TEEC CERTIFIED**

#### NOUVELLES ENERGIES I

FCT focused on senior short-term debt (Bridge Financing) dedicated to energy transition financing and more specifically to finance the construction of renewable energy infrastructure.

**130MW FINANCED**

**4 DEVELOPERS ACCOMPANIED**

**55M€ INVESTED\***

\* As of 31/12/2018



### III. RGREEN INVEST'S COMMITMENT TO ESG

#### 1. AN ESG APPROACH REINFORCED IN 2018

Since infrastructure projects are inherently long-term, the analysis of non-financial criteria is essential in laying the groundwork for financial sustainability. RGREEN INVEST formally integrated an Environmental, Social and Governance (ESG) approach in 2017, when the company published its first ESG Charter and became a signatory of the Principles for Responsible Investment (PRI). RGREEN INVEST then issued an updated ESG Charter in January 2019, which describes the company's principles, values, and commitments. It presents the environmental, social, and governance procedures that have been adopted to date. With a view on continuous improvement and alignment with industry best practices, RGREEN INVEST will continue to document and ensure transparency in its ESG implementation and performance.

RGREEN INVEST firmly believes that accounting for ESG features is essential in its role as a responsible investor and for strengthening its investment strategy. By analysing ESG criteria, RGREEN INVEST can also actively improve its knowledge of the financed renewable energy infrastructure and ensure long-term sustainable value creation.

Furthermore, being awarded with the TEEC Label (French Label for the Energy and Ecological Transition for Climate) for its last generations of INFRAGREEN solutions – which certifies the orientation of investments towards the energy and ecological transition – RGREEN INVEST is recognised as a committed actor addressing climate change issues. Positioned as a long-term partner for investees, RGREEN INVEST encourages dialogue on social and environmental issues to encourage improvements and build trust among and between its stakeholders (investors, investees and local communities).



To ensure the correct implementation of RGREEN INVEST's ESG approach, ESG action is coordinated by the Managing Partner, with portfolio company analysis and monitoring being performed by the Investment Directors.

#### 2. A MANAGEMENT SYSTEM TO STRUCTURE ESG ACTIONS

Integrating ESG factors in the investment decisions allows the provision of better support to partners, developers, and producers in the renewable energy field, as well as identifying sensitive issues that may lead to risks in the short, medium, or long term.

As part of its continued ESG approach, and in line with the expectations of Limited Partners, RGREEN INVEST formalised a Responsible Investment Policy in line with the six PRI principles and implemented an Environmental and Social Management System (ESMS) in late 2018, in accordance with the European Investment Bank (EIB) guidelines on precautionary principles. The purpose of the ESMS is to provide guidance on the operational implementation of RGREEN INVEST's Responsible Investment Commitments and to set out the relevant actions to be taken at each investment stage.



RGREEN INVEST's ESMS will guide the company in:

- Assessing the ESG issues of targeted companies and implementing appropriate actions;
- Ensure investees' compliance with the ESG policies over the holding period, notably:
  - Monitor portfolio companies' mitigation of their environmental and social impacts in compliance with the legal and administrative frameworks to which they are subject to;
  - Encourage portfolio companies to enhance their positive effects on the environment, employees, and wider society.

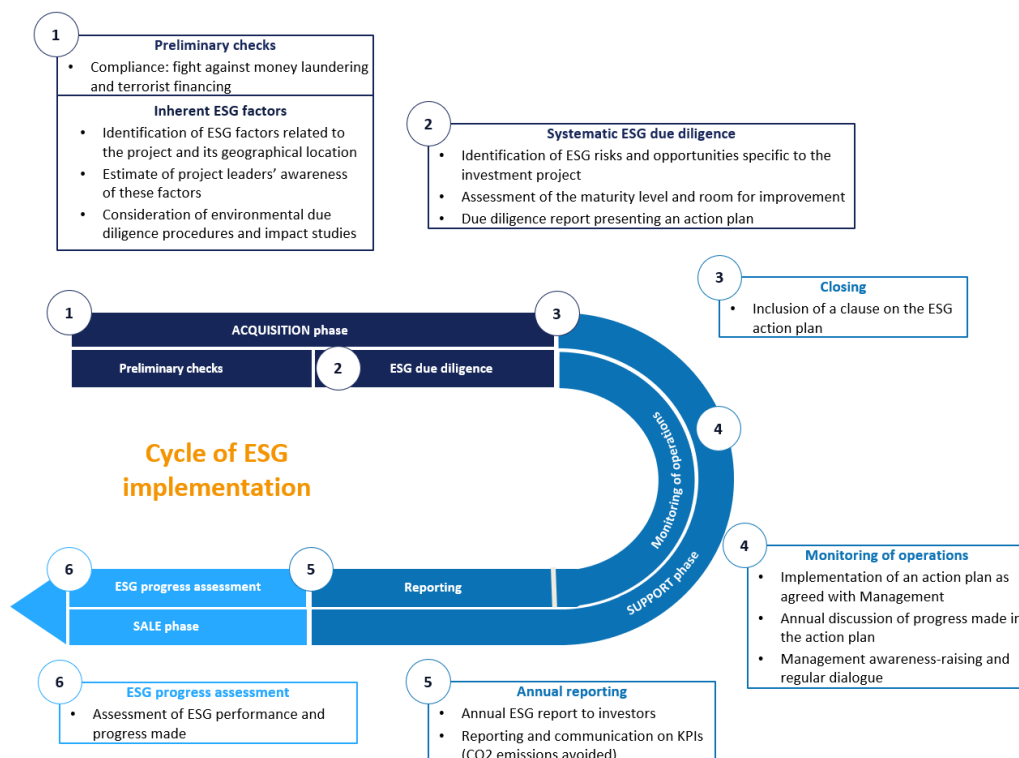
### 3. AN ASSESSMENT OF ESG IMPACTS THROUGHOUT THE PROJECT INVESTMENT PROCESS

In accordance with external reference frameworks such as the EIB guidelines, and aligned with the first level of dispositions of article 173 of the French Law on the Energy Transition and Green Growth ("Loi sur la transition énergétique et la croissance verte"), this section aims to describe how RGREEN INVEST manages ESG issues throughout the life cycle of its investments.

RGREEN INVEST ESMS's implementation relies on a systematic analysis of ESG and procurement-related risks and opportunities that fall under the responsibility of RGREEN INVEST's Partners and Investment managers.

RGREEN INVEST's ESMS will be implemented through a systematic ESG Due Diligence addressing risks and opportunities associated with portfolio companies' activities. As part of the Due Diligence process, these analyses will rely on project documentation and an in-depth dialogue with the project stakeholders, serving as a basis for designing and monitoring ESG action plans, which will then be implemented by portfolio companies.

The following investment cycle describes RGREEN INVEST's ESMS implementation, with an approach that is consistent with the six UN PRI Principles:





#### 4. A STRONG AND VALUABLE RELATIONSHIP WITH RENEWABLE ENERGY DEVELOPERS

Since its creation, RGREEN INVEST has developed strong relationships with some of the main operators and developers of renewable energy infrastructure assets in Europe, helping them to strengthen their market share and accelerate their expansion.

RGREEN INVEST is convinced that building proximity relations with projects' developers is key for a successful outcome. Developers are the conductors of projects' implementation, specialists continuously demonstrating tenacity and persuasion and whose opinions ought to be taken into account. That is why, within the core team, infrastructure professionals from the industry aim at building flexibility, sharing best practices tailored to each of the projects' needs, and developing close relationships with every developer.

***“The main difference for RGREEN INVEST is that we aim to provide long term partnership solutions for IPP’s and developers and we are very open to sharing the value of projects. Contrary to other fund managers that seek to own 100% of an asset and take them over, our strategy is to discuss the needs of the developers for the next two to three years and tailor relevant financing solutions either through equity, junior debt or a mix of both. Another key difference is that 90-95% of our asset sourcing comes from our own team of investment professionals, not from brokers. We are really close to the market.”***

*Nicolas Rochon, Founder & Managing Partner*

#### 5. BEST PRACTICES IN DAILY OPERATIONS

While RGREEN INVEST's direct activities have limited environmental impacts, the company wishes to set an example and adopt best practices to help do its part in protecting the environment. RGREEN INVEST strives to reduce energy consumption and to adopt sustainable practices (e.g. endorsing public transportation).

RGREEN INVEST also aims at providing its 16 employees (as of 2018) with a welcoming and exciting working environment, helping its team develop their competencies and abilities, while driving performance forward. To achieve such a goal, the Management team is committed to an honest and open dialogue.

In addition, as shown by the composition of its workforce, RGREEN INVEST wishes to evolve and adopt best practices regarding gender diversity in the sector. As of 2018, one of the company's five partners is female, leading to a higher proportion than the sectorial average<sup>1</sup>.

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<sup>1</sup> Study on gender diversity in private equity, France Invest, November 2018



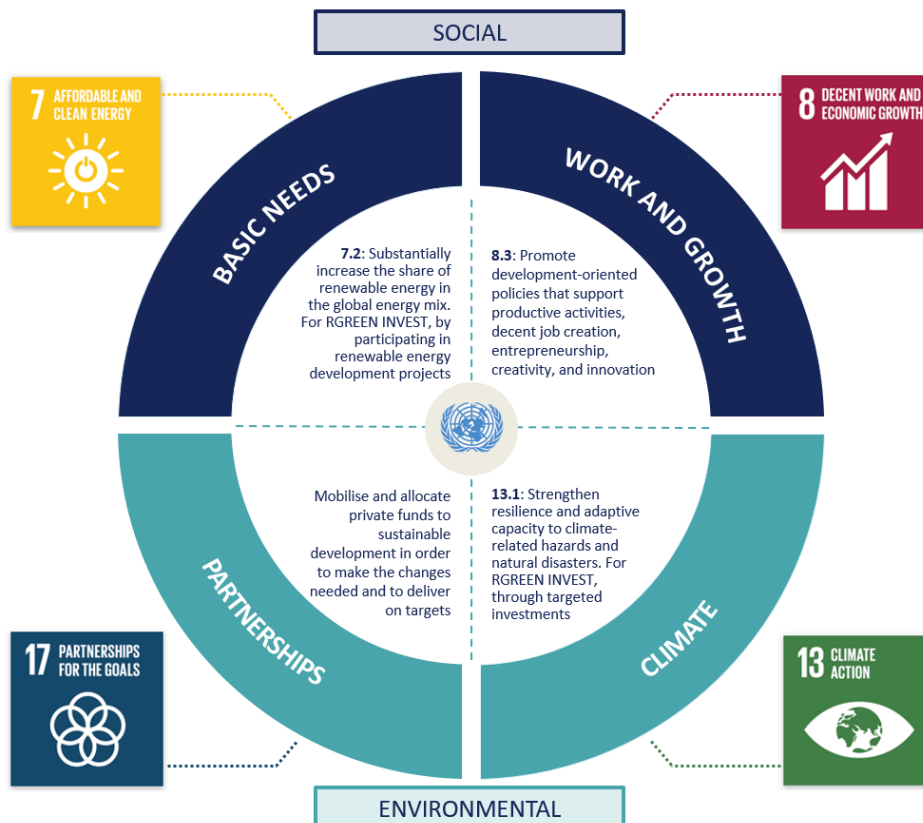
## IV. RGREEN INVEST'S CONTRIBUTION TO THE SDGs

Launched at the end of 2015 under the patronage of the United Nations, the Sustainable Development Goals (SDGs) were adopted by the 193 UN member states. Defined for the next 15 years (until 2030), the 17 SDGs and their 169 targets aim at addressing key social and environmental issues, "eradicate poverty, protect the planet, and ensure prosperity for all". If states are the first to be concerned, companies can also contribute to achieving these goals through the products and services they offer and thus through their CSR policies.

In this context, the financial sector must get involved. Pioneering in France as the first green infrastructure-financing platform, RGREEN INVEST intends to play an active role in SDGs promotion and realisation. Beyond "macro" objectives (eradication of poverty, actions for peace and justice, etc.), investors such as RGREEN INVEST strive to implement and spread best practices in the private sphere in order to address objectives with a "micro" resonance as well. Improving access to clean energy or water, promoting responsible production and consumption, developing sustainable cities and communities, are challenges that companies can directly contribute to by adapting their strategy, their economic model, or their investment choices.

Integrating the SDGs in investment processes allows including considerations on assets' resilience to future and ongoing transformations. Traditional ESG analysis generally aims to identify companies' extra-financial risks and understand how they are addressed. The introduction of the SDGs into the ESG reflection makes it possible to combine a risk approach with an opportunity-oriented approach, allowing a better understanding of assets' ability to adapt to future challenges.

The SDGs integration into the investment framework is also in line with the principles and values that underpin RGREEN INVEST's commitments to responsible investment, and address the expectations that a wide range of stakeholders (investors, governments, and representatives from civil society) have already expressed as follows:







## V. ESG PERFORMANCE OF PORTFOLIO INVESTMENTS

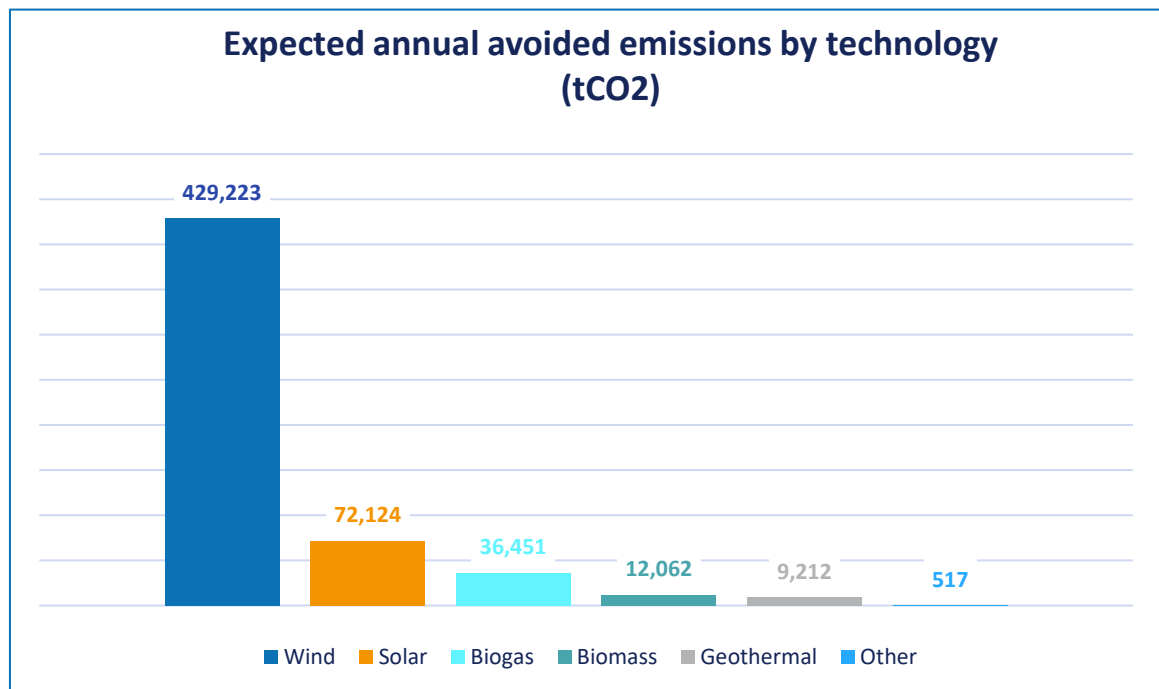
### 1. CONTEXT AND PERIMETER

In addition to the ESG analysis already performed for all of its investments, RGREEN INVEST began implementing its ESMS in 2018, notably on INFRAGREEN III assets, through its ESG Due Diligence process.

RGREEN INVEST will gradually expand its ESMS to future activities. For the 2018 ESG Report, RGREEN INVEST presents climate performance indicators of its whole portfolio as well as highlights from the implementation of the ESMS on INFRAGREEN III.

### 2. ENVIRONMENTAL AND SOCIAL IMPACTS REVIEW

RGREEN INVEST's projects are expected to avoid a total of 559,590 tons of CO<sub>2</sub> emissions per year<sup>2</sup>, this represents a saving comparable to the annual emissions attributable to 80,000<sup>3</sup> European citizens.



*To be noted: the value of avoided emissions attributable to a renewables project financed by RGREEN INVEST projects mostly depends on the electricity emission factor of the country where the project is located: where renewables replace fossil-fuel based electricity generation, especially from coal, avoided emissions will be significant. This explains why the avoided emissions for wind energy are currently higher than those for solar, despite the shares of these two technologies being comparable in RGREEN INVEST's portfolio.*

RGREEN INVEST's ESG Due Diligence process evaluates assets' environmental performance by identifying key environmental impacts and risks associated to their activities and by assessing how project developers address them. This Due Diligence process allows to identify any climate or environmental issues related to the projects' activities and to verify if action plans have been deployed accordingly.

<sup>2</sup> Expected annual avoided emissions are estimated assuming all projects have started operations and including all financed projects, eliminating potential double counts where more than one RGREEN fund has invested in a project. Avoided emissions are based on the estimated average annual production of each asset (P50) and calculated by taking into account emission factors applicable to the project country and upstream emission factors for the implemented technology. Source of emission factors: International Energy Agency (IEA) and Ecometrica.

<sup>3</sup> Eurostat data as of August 2018



In addition, RGREEN INVEST includes a review of a variety of social and societal aspects, among which job creation, land-related issues, health and safety, and stakeholder relations are taken into account. Through its ESG assessment process, RGREEN INVEST seeks to identify key social risks and impacts for each project, as well as to verify the existence of policies and control systems, dialogue initiatives, and action plans to address the latter accordingly.

A verification of projects' regulatory compliance is performed and each project is examined according to existing social standards for each of the analysed aspects.

- Required information on land-related aspects includes the involvement of expropriation and acquisition of land and properties, and the existence of involuntary resettlement of people.
- Regarding health and safety, RGREEN INVEST's Due Diligence process inquiries about key labour and occupational health and safety risks and opportunities that are entailed by the projects' activities, and on the respect of Core Labour Standards.

RGREEN INVEST also seeks to assess community involvement and risks by requiring assets to report on potential negative impacts on the rights and interests of vulnerable groups (e.g. indigenous peoples, etc.) and on community impact assessments (if existing). RGREEN INVEST's Due Diligence process looks into community involvement and dialogue as well, by inquiring on existing coordination actions with local communities and existing legal claims by NGOs or other stakeholders.

### 3. PROCUREMENT AND CONTRACTING REVIEW

RGREEN INVEST aims to improve ESG practices among its assets, during construction, but also operation and maintenance phases. For instance, required information during the ESG Due Diligence process includes environmental and social standards, with ESG criteria applied in contractor and supplier selection. RGREEN INVEST also inquires about the integration of fair, non-discriminatory and transparent procurement and contracting procedures.



## CASE STUDIES – Environmental and social impacts of selected projects (wind and PV)

Two examples of RGREEN INVEST's 2018 investments illustrate that our support of the development of local and regional renewable energy infrastructure projects fosters European countries' energy strategies.

Bel Lavello (INFRAGREEN III) is a windfarm project in the Basilicata region of Southern Italy. The project directly contributes to Italy's National Energy Strategy, which aims to reach a 28% share of renewables in total energy consumption and a 55% share of renewables in electricity consumption by 2030. Italy has also expressed the willingness to phase out coal consumption by 2025, which implies an increase in the use of natural gas and renewable energy. Increasing the overall capacity of renewables appears as the most advantageous action, taking into account Italy's significant renewables development potential. Furthermore, natural gas in Italy is 90% imported, while renewable energy can be 100% locally sourced, thus reducing energy dependence on imports, which could cut the energy bill while reducing domestic electricity prices to reach the European average.

In this sense, Bel Lavello contributes to Italy's commitment to cutting coal consumption and to bridging the gap between Italian and European energy prices.

Technique Solaire (FCT Nouvelles Energies I) is a French developer of photovoltaic assets, offering tailored and innovative PV installation solutions. Technique Solaire has been awarded part of the "CRE 4" tender for development of photovoltaic assets issued by the French energy regulation commission. Technique Solaire has put forward a development plan of assets with a cumulative power of 16.5 MWc, to be built in 2019. Technique Solaire's PV developments maximize the usefulness of areas otherwise dedicated to other activities (commercial roof space, agricultural greenhouses, parking areas, or unusable land), binding together economic and environmental value. Technique Solaire is committed to environmental stewardship and performance, having obtained the ISO14001 certification in 2016. As an example, Technique Solaire is a member of PV Cycle and organizes the recycling of photovoltaic panels.

These two projects allow moving towards the achievement of European decarbonisation targets, which target a 40% cut in greenhouse gas emissions compared to 1990 levels. In fact, as of now, it is estimated that Bel Lavello and Technique Solaire's projects will allow to avoid more than 33,500 tons of CO<sub>2</sub> per year. These projects will also contribute to job creation and economic revitalisation in the territories where they are developed.



*Bel Lavello wind farm features 12 3.3 MW turbines. The maintenance service contract is designed to ensure that optimal performance of wind turbines at all times.*



*Technique Solaire's solutions include designing and installing photovoltaic greenhouses, optimizing land use and bringing value to farmers and local stakeholders.*