

# Atlantica

## Green Finance Framework



March 17, 2020

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## 1. Introduction

Atlantica Sustainable Infrastructure plc. (“Atlantica”) is a sustainable infrastructure company that owns, manages and acquires a diversified portfolio of contracted assets in the power and environment sectors.

We operate high-quality contracted or regulated assets with long useful lives. Our long-term contracts with creditworthy counterparties permit us to generate stable and long-term cash-flows. We currently own 25 assets, comprising 1,496 MW of renewable energy generation, 343 MW of efficient natural gas, 1,152 miles of electric transmission lines and 10.5 Mft<sup>3</sup> per day of water assets.

All our assets have contracted revenues (regulated revenues in the case of our Spanish assets and one transmission line in Chile) and are underpinned by long-term contracts. Our assets have a weighted average remaining contract life of approximately 18 years as of December 31, 2019. Most of the assets we own or in which we have interest have project-finance agreements in place. Our portfolio is diversified both by business segment and geography. By geography, we are present in North & South America, Europe and certain markets in EMEA.

We target to distribute a very high percentage of our cash available for distribution and will seek to increase such cash dividends over time through the acquisition of additional contracted assets.

Atlantica is issuing green proceeds out of its Green Finance Framework.

## 2. Approach to Sustainability

Since Atlantica’s incorporation Sustainability has been one of our five Core Values. We view sustainable development as a powerful source of competitive advantage to generate economic value that also adds value for the society by addressing environmental and social challenges and safeguarding the transition to a low-carbon economy.

We own, invest and manage renewable energy, water desalination, efficient natural gas and other sustainable infrastructure assets, focused on North America, South America and EMEA. We intend to expand our business, maintaining North America, South America and Europe as our core geographies.

The earth's climate is now changing faster than, according to the 2018 U.S. Fourth National Climate Assessment Report (the U.S. Global Change Research Program). The report indicates that climate change impacts are intensifying, and the severity of future impacts will depend on the efforts to reduce carbon emissions and how fast adaptations are being implemented. On a global basis, the World Economic Forum’s 2019 Global Risk Report identified extreme weather and failure to mitigate climate change as the two largest risks facing the global economy. We expect to continue delivering accretive growth by investing in low-carbon footprint assets, which undoubtedly will help us to achieve our sustainability targets and achieve further CO<sub>2</sub> reduction; in recent months we have announced approximately \$330 million investments in similar assets. We believe that we can create more value

over time by investing in assets that reduce greenhouse gas emissions and contribute to mitigate the impact of climate change, including energy efficiency and renewable energy assets.

Contributing to mitigate climate change is core in our strategy. We invest in, and manage, a portfolio of assets that reduce carbon emissions. In 2019 we helped to avoid up to approximately 4.7 million tons of CO<sub>2</sub> compared with a 100% fossil fuel-based generation plant.

Investing in sustainable technologies and assets is only one part of our strategy. Managing those assets in a sustainable way is key to create value long term. In that regard, we have launched a number of initiatives to ensure that we manage efficiently, effectively and sustainably all key areas of our Company:

- In February 2020, **Sustainalytics** updated our ESG Risk Rating assessment. Atlantica was rated as the top company within both the renewable power production and the broader utility industry, and in the top 1% in the global rating universe, improving our score versus last year. Sustainalytics is a leading provider of sustainability assessments globally and rates more than 12,000 companies.
- In January 2020, Atlantica was rated with a “B” by **CDP**, increasing two notches compared to its 2018 evaluation. Atlantica was rated higher than the Europe Regional Average and than the Renewable Power Generation Sector, both with a C in average. CDP is a leading provider of environmental management and transparency and rates more than 8,400 companies.
- In June 2019, we obtained our first **ESG-linked financial guarantee line** with a limit of approximately \$39 million. The cost is linked to our environmental, social and governance performance under a leading sustainable rating agency (Sustainalytics). This agreement underlines our leading position in ESG.
- In January 2018, Atlantica joined the **United Nations Global Compact** (the “UNGC”) the world’s largest corporate sustainability initiative. Atlantica reaffirms on a yearly basis its support to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. In our 2018 ESG report, which is publicly available to all our stakeholders, we describe our actions to integrate the Global Compact and its principles into our business strategy, culture and daily operations. In addition, we are committed to orient our action to 6 of the 17 Sustainable Development Goals, including Affordable and Clean Energy and Climate Action.
- **Health and Safety** is our first priority and we want our employees, partners and contractors to apply the strongest standards to ensure safe and sustainable operations. We are firmly committed to maintain a zero-accident culture and to develop new initiatives. In 2019 we improved in all the main metrics. Loss Time Incident Rate decreased by 39% and remains well below sector average in all our geographies. In 2019, we celebrated with our operation and maintenance suppliers the achievement of 2,750, 2,000, 1,500 and 1,000 days without loss-time injury accidents in ATN, Helienergy, Melowind and Solana, respectively. With this, by 2019 year-end, 80% of our assets had achieved more than 500 days without lost time accidents. As the only acceptable objective is no accidents of any kind, we will continue devoting all efforts necessary to continue improving.

- We maintain a strong **Ethics and Corporate Governance** culture. In 2019 we updated our compliance documents. Our Code of Conduct and Suppliers Code of Conduct guarantee respect of Human Rights, Labour Rights and Anti-corruption policies.
- We follow the recommendations of the **Task Force on Climate-related Financial Disclosures (“TCFD”)**.

### 3. Rationale for Issuance

Through our green finance issuances, we aim to finance the transition to a low carbon economy. We hope green finance issuances will inspire other infrastructure companies to do the same.

### 4. Alignment with the Green Bond Principles and the Green Loan Principles

The Green Bond Principles, 2018 (“GBP”), as administered by the International Capital Markets Association (“ICMA”), are voluntary process guidelines for best practices when issuing Green Bonds. The GBP recommend transparency, disclosure and promote integrity in the Green Bond Market.

The Green Loan Principles, 2018 (“GLP”), published by the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”) respectively with the support of ICMA and developed by an experienced group of representatives from leading financial institutions active in the syndicated loan market, are voluntary recommended guidelines when issuing Green Loans. The GLP aim to promote integrity in the development of the Green Loan Market.

Atlantica’s Green Finance Framework is aligned with the four core components of the GBP and the GLP.

#### 4.1 Use of Proceeds


An amount equal to the green bond net proceeds is expected to refinance or finance, in whole or in part, the construction, development, or acquisition of new or on-going projects which meet the following “Eligibility Criteria”.

In addition, an amount equal to the green loan net proceeds is expected to refinance or finance, in whole or in part, the construction, development, or acquisition of new or on-going projects which meet the following “Eligibility Criteria”.

We aim for our Green Finance issuances to support the achievement of the United Nations Sustainable Development Goals noted below.

“Eligible Assets” include expenditures that meet the Eligibility Criteria defined below.

“**Eligibility Criteria**” are outlined below:

<b>GBP Eligible Project Category</b>	<b>Eligibility Criteria and Example Projects</b>	<b>SDG Alignment</b>	<b>Environmental Objective</b>
Renewable Energy	<ul style="list-style-type: none"> <li>• Solar projects</li> <li>• Wind projects</li> <li>• Small-scale hydro projects (less than 25 MW)</li> <li>• Transmission lines dedicated to bringing renewable energy to the grid</li> </ul>		Renewable Energy Projects contribute to: <ul style="list-style-type: none"> <li>• Environmental Objective: Climate Change Mitigation</li> <li>• Substantial contribution to Climate Change Mitigation: Generating, storing, distributing or using renewable energy in line with the Renewable Energy Directive, including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid</li> </ul>

We expect a majority of the use of proceeds to be allocated towards refinancing project debt and/or financing new acquisitions.

## 4.2 Process for Project Evaluation and Selection

Atlantica’s ESG Team and Finance Team will oversee the Green Finance implementation of the allocation and selection process. Our ESG team is a part of our Investor Relations team and is led

by our Director of ESG. The ESG team leadership reports directly to our CFO. The Finance Team leadership also reports directly to our CFO. Our ESG Team will recommend the allocation of Eligible Assets for approval by the Finance Team.

## 4.3 Management of Proceeds

Atlantica has established an internal tracking system to monitor and account for the proceeds. Pending full allocation of an amount equal to the net proceeds, proceeds will be held temporarily in cash, cash equivalents, or other forms of available short-term funding sources.

Atlantica is managing the proceeds in a portfolio approach. Atlantica will strive, over time, to achieve a level of allocation for the Eligible Green Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Bonds.

In the case of divestment or if a project no longer meets the eligibility criteria, the funds will be reallocated to other Eligible Assets. Payment of principal and interest will be made from our general account and not be linked to the performance of the Eligible Assets.

## 4.4 Reporting

Annually, until all the proceeds have been allocated, and on a timely basis in case of material developments, Atlantica will publish a Green Finance Report on its website (<https://www.atlantica.com/web/en>) which will provide allocation details such as:

- i. The amount of net proceeds allocated to Eligible Assets
- ii. The balance of unallocated proceeds
- iii. The share and/or amount of financing vs refinancing
- iv. The geographical distribution of the Eligible Assets

Where feasible, Atlantica intends to include impact environmental metrics such as:

- i. Total installed capacity in MW
- ii. Estimated GHGs emissions avoided in tons of CO<sub>2</sub> equivalent
- iii. Impact studies may be supplemented with examples of specific projects and/or dedicated case studies

## 5. External Review

### 5.1 Second Party Opinion

Atlantica has retained Sustainalytics, an independent provider of ESG research and ratings, to provide a Second Party Opinion (SPO) assessing alignment of Atlantica's Green Finance Framework with the 2018 GBP. The SPO is available on our website.

#### **Disclaimer**

The information and opinions contained in this Atlantica Green Finance Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. None of Atlantica or any of its affiliates assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Atlantica policies and intent, which are subject to change and are not intended to, nor can be relied on, to create legal relations, rights or obligations. This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Atlantica and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Atlantica as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. No representation is made as to the suitability of the Green Finance to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Green Finance (e.g., bonds) should determine for itself the relevance of the information contained or referred to in this Framework or the relevant Green Finance documentation regarding the use of proceeds and its potential purchase (of bonds) should be based upon such investigation as it deems necessary. Atlantica has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with Atlantica's Green Finance. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of the Green Finance if Atlantica fails to adhere to this Framework, whether by failing to fund or complete Eligible Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this



Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise. In addition, it should be noted that all of the expected benefits of the Eligible Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally focused potential investor should be aware that Eligible Project may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts. This Framework does not constitute a recommendation regarding any securities of Atlantica or any member of Atlantica. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Atlantica or any member of Atlantica. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase any Green Finance (e.g., bonds) should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such Green Finance. Prospective investors are required to make their own independent investment decisions.