



**REPORT OF FACTUAL FINDINGS
(AGREED-UPON PROCEDURE)**

By VIGEO EIRIS

For Rio Energy's holding 2017 first Green Bond issuance

Pre-issuance verification based on Climate Bond Standards version 2.1

SCOPE

Itarema Geração de Energia S.A. (the "Issuer"), holding within Rio Energy, is considering the issuance of its first Green Bond (or "Bond") and intends to use the proceeds to refinance the construction of wind power plants in Brazil.

Founded in 2012, Rio Energy is a Brazilian company focusing on the development, construction and operation of renewable energy infrastructures in Brazil. Its portfolio consists of 2.6 GW of renewable projects including projects in operation, under construction and in development phase. Among these, the Itarema Complex contains 9 wind farms supplied by Acciona, in the state of Ceará, Brazil.

In this context, Vigeo Eiris (the "Verifier") has been commissioned by Rio Energy, as stated in the engagement contract, to perform the Pre-Issuance Verification of this Bond, as independent third party provider approved by the Climate Bonds Standards Board.

We have conducted our verification, based on an Agreed-Upon Procedure, in February 2017 with the aim of assessing the conformance of Itarema Geração de Energia 2017 first Green Bond with the Climate Bond Standard version 2.1 for Pre-Issuance requirements and with the associated sector standard and technical criteria, as defined on CBI's website.

The work undertaken by Vigeo Eiris to form this verification statement included:

- Planning and management of the verification
- Desk review of the Bond and associated documentation provided by the Issuer
- Assessment of evidences provided by Rio Energy against the Climate Bond Standards 2.1
- Internal quality control on the assurance report and conclusions
- Provision of Vigeo Eiris' report of factual findings

The methodology, criteria, findings and assurances addressed by this Agreed-Upon Procedure are detailed below.

RESPONSIBILITIES OF THE ISSUER AND OF VIGEO EIRIS

The responsibility of Vigeo Eiris is to provide an external and independent assurance on the compliance of Itarema Geração de Energia 2017 first Green Bond with the Climate Bond Standard version 2.1 requirements and associated technical criteria.

This statement relies on the information provided by the Issuer to the Verifier: documentation and explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris hasn't performed an audit nor other tests to check the accuracy of the information provided by the Issuer.

The Issuer is fully responsible for attesting the compliance with its commitments as defined in its policies, for their implementation and their monitoring, and for the information provided.

SUMMARY OF FACTUAL FINDINGS

This Agreed-Upon Procedures Engagement has been conducted against the Climate Bond Standard (CBS) version 2.1 requirements (i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Initiative Wind Standard Version 1.0), in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Related Services 4400 (ISRS 4400), based on the agreed-upon procedure.

The verification included checking whether the provisions of the CBS 2.1 were consistently and appropriately applied and the collection of evidence supporting the verification. The details and areas covered by the verification are summarized in below chapters of this report.

The proceeds from the Green Bond will be allocated to 9 wind power plants, forming the Itarema Wind Complex, for which environmental objectives have been set in the external review report. These resources will be used for the reimbursements of expenses already made by the Issuer for the building of the 9 wind farms. These wind farms projects fall in the 'Wind' classification under 'Energy' head of Climate Bonds Taxonomy, and fill in two technical criteria from the sector-specific standards. The issuer took the commitment to review the bond after one year to reaffirm conformance with the Climate Bonds Standard.

This Report of factual findings is valid as of the date of issuance limited to the Itarema Geração de Energia 2017 first Green Bond. It is provided by Vigeo Eiris to the Issuer and the Climate Bond Initiative, and can only be used by them.

Paris, April 11th, 2017



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has never executed any consultancy activity for the Issuer until so far and no established relationship (financial or others) exists between Vigeo Eiris and the Issuer.

Liability: this Report of factual findings is a document prepared by the Verifier that conveys the Verifier's findings on the bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bond Certification itself. Providing these findings does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Green Bond. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bond, nor the value of any investment in the Bond, nor of the environmental footprint of the Bond or the compliance with the commitments taken by the Issuer.

Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Issuer. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction.

Restriction on Distribution and Use of this Factual Findings Report: at the discretion of the Issuer.

VERIFICATION CRITERIA & FINDINGS

The evidence, information and explanations supporting the Bond issuance provided by Rio Energy to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the bond, to be implemented over the term of the bond).

The Issuer showed a high responsiveness in providing information to the Verifier. We believe that procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

Summary criteria for assertions of compliance with the pre-issuance requirements of Climate Bonds Standards version 2.1

Vigeo Eiris has assessed Itarema Geração de Energia 2017 first Green Bond and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
 1. Selection of Nominated Projects & Assets
 2. Internal Processes & Controls
 3. Reporting Prior to Issuance
- Part B: Climate Bonds Initiative Wind Standard (Version 1.0)

Assessment of Itarema Geração de Energia 2017 first Green Bond against Pre-Issuance Requirements of Climate Bonds Standard

CBI requirements	Vigeo Eiris' factual findings	Errors or exception
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
Clause 1.1 Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Projects and Assets	The debentures' term sheets indicates that the proceeds will be allocated to the repayment of part of the acquisition of 9 wind farms supplied by Acciona: Eólica Itarema I, Eólica Itarema II, Eólica Itarema III, Eólica Itarema IV, Eólica Itarema V, Eólica Itarema VI, Eólica Itarema VII, Eólica Itarema VIII and Eólica Itarema IX. These 9 wind farms form the Itarema Wind Complex.	As the Nominated Projects are already identified by the issuer, there is no mention of decision-making process.

CBI requirements	Vigeo Eiris' factual findings	Errors or exception
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
<p>This includes, without limitation:</p> <p>1.1.1. a statement on the environmental objectives of the bond</p>	<p>The external review report, conducted by the ESG consultant and included in the final pre-issuance Bond disclosure documentation, includes the objectives of the nine Nominated Projects which are:</p> <ul style="list-style-type: none"> - The implementation of a total of 69 wind turbines and a total installed capacity of 207 MW, and an expected annual generation of 913,9 GWh at the end of its lifecycle, - The reduction of 144,4 MtCO₂e per year compared to the average of the Brazilian energy matrix (i.e. 1,158 kgCO₂e/MWh in 2014). 	None
<p>1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bond Standard</p>	<p>The external review report includes the process for assessment of the eligibility of the Nominated Projects and Assets to the sector-specific standards of the CBI. This report confirms that the funds will be "fully allocated to reimbursements of expenses already incurred and debts of the Itarema I, Itarema II, Itarema III, Itarema IV, Itarema V, Itarema VI, Itarema VII, Itarema VIII, Itarema IX wind farms". These projects meet the eligibility requirements of the Climate Bond Standard as they fall in 'Wind' classification under 'Energy' head of Climate Bonds Taxonomy (see Part B).</p>	None
Clause 1.2		
<p>The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the bond meet the bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bond Standard.</p>	<p>The external review report presents the results of the assessment process conducted by the ESG consultant on whether the selected projects are aligned to the eligibility requirements. The document also displays the results of the assessment of the social and environmental performance of the projects, regarding defined criteria : the environmental performance is assessed as "satisfactory" by the external consultant.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Errors or exception
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
Clause 1.3		
<p>The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept up-to-date during the term of the bond.</p>	<p>The projects have been assessed by an independent ESG consultant. The list of Nominated Projects & Assets is disclosed in the external review report and indicates that 9 wind power projects called Eólica Itarema I, Eólica Itarema II, Eólica Itarema III, Eólica Itarema IV, Eólica Itarema V, Eólica Itarema VI, Eólica Itarema VII, Eólica Itarema VIII and Eólica Itarema IX, located in the state of Ceará, in Brazil, have been assessed likely to be Eligible Projects & Assets.</p>	<p>As the 9 wind farms are already built, the list of Eligible Projects is equivalent to the list of selected projects.</p>
Clause 1.4		
<p>Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.</p>	<p>According to Issuer's debentures' term sheet, it is established that the 9 Nominated Projects have never been nominated to other Climate Bonds listed as such on CBI's database.</p>	<p>None</p>
Clause 1.5		
<p>The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.</p>	<p>As indicated in the debentures' term sheets, the anticipated proceeds amount is identified to be up to BRL 111,760,000 (preliminary estimates, depending on market conditions, until details will be confirmed on financial close of the bond). These estimated amounts are expected not to change prior to issuance according to the Issuer. These expected net proceeds represent 10,4 % of the estimated total amounts of financial resources needed for the Nominated Projects (BRL 1,075,000,000), which is not greater than the Issuer's debt obligation to the Nominated Projects.</p> <p>Remaining resources will be financed by the Brazilian Development Bank (BNDES) and Itarema Geração de Energia's own capital.</p>	<p>None</p>

CBI requirements	Vigeo Eiris' factual findings	Errors or exception
Part A: General Requirements		
2. Internal Processes & Controls		
Clause 2.1		
<p>2.1. The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p>	<p>The debentures' term sheets and the external review report identify and describe the systems, policies, processes, and controls for the management of bond funds and investments.</p>	<p>None</p>
<p>2.1.1. Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p>	<p>As detailed in the debentures' term sheets, the net proceeds of the bond will be allocated to Itarema Geração de Energia S.A., the holding that controls the 9 SPVs, each being dedicated to each of the 9 Nominated Projects.</p> <p>The proceeds will be tracked thanks to their transfer through the SPVs, this guarantees that all their resources and assets will be destined to the unique purpose of electricity generation from wind power.</p>	<p>None Of note, the accounts of the nine SPVs will not be verified by a third party.</p>
<p>2.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2</p>	<p>The Issuer will receive the proceeds to reimburse expenses made for the building of the 9 wind farms.</p>	<p>As the 9 wind farms are already fully built and all the expenses are made, there is no unallocated proceeds.</p>
<p>6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p>		
<p>6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p>		
<p>6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>		

CBI requirements		Vigeo Eiris' factual findings	Errors or exception
Part A: General Requirements			
2. Internal Processes & Controls			
	2.1.3. Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.	Specific clause have been integrated to the debentures' term sheets avoiding changes in the scope of the original projects and the use of the resources for other reasons than the funding (reimbursements, expenditures and/or debts) related to the Nominated Projects managed via SPVs (clauses 3.5.9, 3.10). The proceeds will be directly allocated to the 9 SPVs (through Itarema Geração de Energia S.A., the Issuer), ensuring that all the proceeds will be dedicated to the unique purpose of electricity generation from wind power.	None
3. Reporting to issuance			
Clause 3.1			
	3.1. The Issuer shall disclose in the Bond Disclosure Documentation:	The debentures' term sheets indicates that the proceeds will be allocated to Itarema Geração de Energia S.A., a holding within Rio Energy' structure that controls the 9 SPVs, one dedicated for each Nominated Project. These Nominated Projects, as wind farm projects, fall in the 'Wind' classification under 'Energy' head of Climate Bonds Taxonomy.	None
	3.1.1. The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.		
	3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.	The Issuer will receive the proceeds to reimburse expenses made for the building of the 9 wind farms.	As the 9 wind farms are already fully built and all the expenses are made, there is no unallocated proceeds.
	3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).	The approach taken by the Verifier, i.e. a pre-issuance Agreed-Upon Procedure, managed by Vigeo Eiris, is disclosed by the Issuer in Clause 10.1 (cc) of the debentures' term sheet.	None
	3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.	According to the debentures' term sheet, Rio Energy commits to review the bond after one year in conformance of the Climate Bonds Standard requirement.	None

CBI requirements	Vigeo Eiris' factual findings	Errors or exception
Part B: Climate Bonds Taxonomy and Sector-Specific Standards		
Technical criteria for Eligible Projects & Assets: Wind energy		
<p>1. Eligible Project & Assets relating to wind energy generation shall be projects & assets that operate or are under construction to operate in one or more of the following activities:</p>	<p>As indicated in the external review report, the nine eligible projects fall under two out of three of the technical criteria from the sector-specific standards of the Climate Bond Taxonomy:</p> <ul style="list-style-type: none"> - The development, construction and operation of wind farms - Operational production or manufacturing facilities wholly dedicated to wind energy development - Wholly dedicated transmission infrastructure for wind farms 	None
<p>1.1. The development, construction and operation of wind farms</p>		
<p>1.2. Operational production or manufacturing facilities wholly dedicated to wind energy development</p>		
<p>1.3. Wholly dedicated transmission infrastructure for wind farms</p>		

List of supporting documents provided by Rio Energy:

- Debentures' term sheets
- Debentures' external review report

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