

Second Party Opinion

Entergy Sustainable Financing Framework

Aug. 2, 2022

Entergy Corp. is an energy utility headquartered in New Orleans that provides electricity for approximately 3 million customers across Arkansas, Louisiana, Mississippi, and Texas. The company's generation capacity totals about 24,400 megawatts (MWs), and it operates 105,500 miles of distribution and 16,100 high-voltage transmission lines. Its capacity by fuel source is approximately 70% natural gas, 22% nuclear, 8% coal, and less than 0.5% renewable. In the fiscal year ended Dec. 31, 2021, the company earned \$11.7 billion in revenue, had assets of \$59.5 billion, and had about 12,400 employees.

In our view, Entergy's Sustainable Financing Framework, published August 2nd, 2022, is aligned with:

- ✓ Green Bond Principles, ICMA, 2021
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Social Bond Principles, ICMA, 2021
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2021
- ✓ Sustainability Bond Guidelines ICMA, 2021

This second party opinion does not assess the alignment of any individual transaction issued under the framework with the Principles listed above.

Issuer's Sustainability Objectives

Entergy developed its Sustainable Financing Framework to align its strategic sustainability priorities with its funding and financial strategy. Entergy's sustainability strategy is multifaceted, aimed at managing risks and opportunities for key environmental and social topics across the company's value chain. The company was an early mover in addressing climate impacts, becoming the first U.S. utility to set a voluntary carbon dioxide emission reduction goal in 2001.

The company's environmental initiatives consist of efforts to address climate change by reducing greenhouse gas emissions, taking measures to protect and restore natural resources, and addressing the physical impact of climate change by investment in stronger, more resilient infrastructure. Entergy also seeks to build stronger communities by investing in businesses, creating prosperity, and increasing the resilience of communities to the impacts of climate change. For its own operations, Entergy is focused on maintaining a strong safety record and recruiting and retaining a diverse workforce that reflects the communities the company serves. Additionally, the company's goals are consistent with several of the global outcomes envisioned by the United Nations' Sustainable Development Goals (UNSDGs).

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Second Party Opinion Summary

Use of proceeds

Alignment  Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned **Aligned** Strong Advanced

Entergy commits to use the net proceeds of the debt instruments issued under its Sustainable Financing Framework to exclusively finance or refinance eligible environmental and social projects as outlined in the framework. The company has identified numerous eligible project types.

Process for project evaluation and selection

Alignment  Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned **Aligned** Strong Advanced

Entergy's Sustainable Finance Committee evaluates projects based upon multiple criteria outlined in the framework and will ensure that eligible projects comply with the company's risk management processes, including the mitigation of environmental and social risk.

Management of proceeds

Alignment  Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Entergy's Treasury team will maintain internal records to manage and track the allocation of the net proceeds of its sustainable financing instruments issued under the framework to eligible projects. Temporary proceeds will be managed according to the company's liquidity management practices.

Reporting

Alignment  Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Score Not aligned **Aligned** Strong Advanced

The company commits to publicly disclose annually the allocation or disbursement of funds to eligible projects and, where feasible, the environmental and social impacts of the projects, until full allocation. Entergy further commits to third-party verification and assurance of the allocation or disbursement of net proceeds.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✓ Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Entergy's overall use of proceeds commitments to be aligned.

Entergy commits to allocate the net proceeds of financing instruments issued under its framework exclusively to eligible projects as outlined in the framework. Entergy's environmental projects include expansion of renewable energy generation, climate change adaptation, energy efficiency, clean transportation, pollution prevention and control, and green buildings, while social projects are broadly designed to advance socioeconomic empowerment and improve access to essential services.

In our view, each of the eligible projects will contribute to beneficial environmental and social outcomes aligned with the relevant categories of the Principles referenced above, though some of these projects may have less significant environmental benefits, in our opinion. Entergy also commits to disclose the amount of proceeds used for financing versus refinancing for all issuances, with a maximum look-back period of 36 months, which is a stronger feature of the framework.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✓ Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider Entergy's overall process for project selection and evaluation commitments to be aligned.

Entergy's Sustainable Finance Committee, comprised of members of the Treasury, Sustainability and Environmental Policy, Finance Business Partners, and Legal departments, will assess and evaluate eligible projects to ensure that they align with the categories outlined in its framework. The company also commits to ensuring that the eligible projects comply with the company's risk management processes, which includes mitigating impacts relating to environmental and social impacts of its operations. Entergy explicitly commits to not allocate proceeds from any sustainable financing to activities related to the exploration, production or transportation of fossil fuels and consumption of fossil fuels for the purpose of power generation.

In selecting eligible projects under this framework, Entergy relies on some market-based standards, such as LEED or Energy Star for green buildings, but does not identify taxonomies or standards for its selection of all eligible projects.

Management of proceeds

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The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Entergy's Treasury team will manage the allocation of the net proceeds of its sustainable financing instruments issued under the framework to eligible projects for the full term of the issuance. Furthermore, Entergy's framework states that if a project no longer meets the eligibility criteria, the issuer will use reasonable efforts to reallocate the funds to other eligible projects as soon as practicable.

Prior to allocation, proceeds will be managed according to the company's liquidity management practices, which may include application to general corporate purposes, investment in cash or other liquid securities and/or repayment of outstanding indebtedness. In our view, use of proceeds towards general corporate purposes pending allocation to eligible projects is not in accordance with market best practices.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 Entergy's Sustainable Financing Framework is aligned with this component of the referenced principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced

We consider Entergy's overall reporting practices to be aligned.

Entergy commits to publicly disclose information related to the allocation or disbursement of net proceeds of financing instruments, and, wherever feasible, metrics related to the environmental and/or social impact of the projects. Reporting will be provided no later than one year after issuance of any sustainable financing instrument, and annually thereafter until full allocation or disbursement. Regarding allocation, the company will report the total amount of proceeds allocated or disbursed to each project category, the balance of proceeds not yet allocated or disbursed, and the proportional amount of proceeds between refinancing and financing. Entergy also commits to obtaining a third-party audit of the allocation and disbursement of net proceeds, which is a more advanced practice, in our view.

Additionally, where feasible and subject to any confidentiality considerations, Entergy will report impact metrics and case studies of the estimated environmental and/or social impacts of the financed projects. Key metrics include annual greenhouse gas emissions avoided, annual energy savings, the number of electric vehicles procured, the dollar spend on diverse and local suppliers, and the number of individuals reached through programs to improve access to essential services, among others. Entergy additionally intends to disclose calculation methodology and key assumptions for metrics where feasible and relevant, which we consider a strong practice.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

Entergy's Sustainable Financing Framework intends to contribute to the following SDGs:

Use of proceeds

SDGs

Renewable Energy



7. Affordable and clean energy



13. Climate action

Climate Change Adaptation



11. Sustainable cities and communities



13. Climate action

Energy Efficiency



7. Affordable and clean energy



13. Climate action

Clean Transportation



11. Sustainable cities and communities

Pollution Prevention and Control



3. Good health and well-being



9. Industry, innovation and infrastructure

Green Buildings



11. Sustainable cities and communities

Green Innovation



11. Sustainable cities and communities



13. Climate action

Socioeconomic Advancement and Empowerment



5. Gender equality



8. Decent work and economic growth



10. Reduced inequalities

Access to Essential Services



1. No poverty



4. Quality education

*The eligible project categories link to these SDGs in the ICMA mapping.

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