

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Financing Framework

N.V. Nederlandse Gasunie

6 November 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated

- Green Financing Instruments

Relevant standards

- Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles, as administered by the Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA) and Asia Pacific Loan Market Association (APLMA) (as of February 2023)
- EU Taxonomy Climate Delegated Act (as of June 2021)
- ICMA Climate Transition Finance Handbook (CTFH) (as of June 2023)
- European Green Bond Standard Regulation (European GBS or EU GBS) (adopted October 2023)

Scope of verification

- Gasunie's Green Financing Framework (as of November 3, 2023)
- Gasunie's Eligibility Criteria (as of November 3, 2023)

Lifecycle

- Pre-issuance verification
- Valid as long as the cited Framework remains unchanged

Validity

- The present SPO does not constitute a pre-issuance review as per the European GBS. The instruments issued under the Issuer's Framework and this SPO are not designated as 'European green bond' or 'EuGB'.

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## SCOPE OF WORK

N.V. Nederlandse Gasunie (“the Issuer”, “the Company”, or “Gasunie”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Financing Instruments by assessing five core elements to determine the sustainability quality of the instruments:

1. Gasunie’s Green Financing Framework (as of November 3, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association (LMA), Loan Syndications and Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA)’s Green Loan Principles (GLP) and the EU Taxonomy aligned project categories – “Transmission and Distribution Networks for Renewable and Low-carbon Gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” against the European Green Bond Standard (EU GBS) (as of October 2023) on a “best efforts” basis<sup>1</sup>.
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a “best efforts” basis<sup>2</sup> – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)<sup>3</sup>.
4. Implementation of the ICMA Climate Transition Finance Handbook’s (CTFH) recommendations based on the publicly available information.
5. Linking the transaction(s) to Gasunie’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## GASUNIE BUSINESS OVERVIEW

N.V. Nederlandse Gasunie engages in gas infrastructure activities. It maintains and develops the gas transport grid and offers gas transport and related services in the Netherlands and Germany. The company is headquartered in Groningen, the Netherlands. It is classified in the Gas and Electricity Network Operators industry, as per ISS ESG’s sector classification.

<sup>1</sup> Throughout this report and in the context of the EU GBS, “best efforts” basis reflects the fact that while the European Parliament and the Council of the EU have adopted the EU GBS, the European Commission and ESMA are beginning to develop relevant guidelines and technical standards and so the current assessment is based on the EU GBS in its current state.

<sup>2</sup> Throughout this report and in the context of the EU Taxonomy, “best efforts” basis reflects the fact that while the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a “best effort basis”.

<sup>3</sup> European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R2139>



## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>4</sup>
<b>Part 1a: Alignment with GBP/GLP</b>	The Issuer has defined a formal concept for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBP and LMA GLP.	<b>Aligned</b>
<b>Part 1b: Alignment with the proposal of the EU GBS, on best effort basis</b>	<p>The use of proceeds categories “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” project categories are aligned with the EU GBS (as of October 2023) on best efforts basis (see footnote 1 above).*</p> <p><i>* While the Issuer currently has no policy in place regarding climate change adaptation (please see Part III.f), Gasunie provided information on the climate change adaptation measures implemented for several assets that will be financed under this Framework and is also committing to implement a formal policy (aligning with the Climate Change Adaptation DNSH on a best-effort basis) within a five-year timeframe. Thus, to the extent that the use of proceeds shall relate to economic activities that meet the taxonomy requirements, or that will meet the taxonomy requirements within a defined period of time as set out in a taxonomy-alignment plan, the framework is assessed as aligned with the EU GBS.</i></p>	<b>Aligned with the EU GBS* on best efforts basis<sup>5</sup></b>
<b>Part 2: Sustainability quality of the Eligibility Criteria</b>	<p>The Green Financing Instruments will (re)finance eligible project categories which include:</p> <p>Green Project categories: Energy Infrastructure (Transmission and Distribution Networks for Renewable and Low-carbon Gases and Storage of Hydrogen), Pollution Prevention and Control (Carbon Capture and Storage), and Energy Efficiency (District Heating) project categories.</p> <p>Product and/or service-related use of proceeds categories<sup>6</sup> individually contribute to the following SDG:</p>	<b>Positive</b>

<sup>4</sup> The evaluation is based on Gasunie’s Green Financing Framework (November 3, 2023 version), on the analysed Eligibility Criteria as received on November 3, 2023, and on the ISS ESG Corporate Rating updated on the May 11, 2023, and applicable at the SPO delivery date.

<sup>5</sup> Throughout this report and in the context of the EU GBS, “best efforts” basis reflects the fact that while the European Parliament and the Council of the EU have adopted the EU GBS, the European Commission and ESMA are beginning to develop relevant guidelines and technical standards and so the current assessment is based on the EU GBS in its current state.

<sup>6</sup> Transmission and distribution networks for renewable and low-carbon gases, Storage of Hydrogen, Carbon Capture and Storage, District Heating

	 <p>Process-related use of proceeds categories<sup>7</sup> individually improve (i) the Issuer’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s sector on the following SDG:</p> 	
<p><b>Part 3:</b></p> <p><b>Alignment with the EU Taxonomy Climate Delegated Act</b></p>	<p>The project’s characteristics, Gasunie’s due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best effort basis<sup>8</sup>. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> <li>▪ Aligned with the Climate Change Mitigation Criteria</li> <li>▪ Aligned with the Do No Significant Harm Criteria except for Climate Change Adaptation</li> <li>▪ Aligned with the Minimum Safeguards requirements</li> </ul>	
<p><b>Part 4:</b></p> <p><b>Implementation with the ICMA Climate Transition Finance Handbook</b></p>	<p><b>Implementation of the recommendations of the ICMA Climate Transition Finance Handbook (2023), except for the provision of an external review on (i) the alignment of both the interim and long-term targets with science-based scenarios in line with the Paris Agreement and (ii) the credibility of the Issuer’s strategy to reach these targets since there are currently no commonly established reference points available.</b></p> <p>The Issuer has developed and disclosed transparently in its annual report its formal Climate Transition Strategy that is relevant to the environmentally material aspects of its business model. The Executive Board supervises the implementation of the strategy by the company’s management lines. Gasunie provides comprehensive disclosure on the various elements of its climate strategy, including interim and long-term targets<sup>9</sup> and capital expenditures, necessary for the implementation of the strategy, which will be supported by its Green Financing Framework. While Gasunie considers potential future scenarios, and their implications and track and report its progress with measurable key indicators<sup>10</sup>, there is no external review of the credibility of the Issuer’s climate transition strategy (including the governance of the oversight</p>	

<sup>7</sup> Transmission and distribution networks for renewable and low-carbon gases, Storage of Hydrogen, District Heating

<sup>8</sup> Throughout this report and in the context of the EU Taxonomy, “best efforts” basis reflects the fact that while the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a “best effort basis”.

<sup>9</sup> Interim targets are to reduce methane emissions below 70kton CO<sub>2</sub>eq/year (from 154kton CO<sub>2</sub>eq in 2020) and reduce CO<sub>2</sub>eq emissions (scope 1+2 market-based) below 219kton based on constant transport volume (from 329kton CO<sub>2</sub>eq in 2020 with a transported volume of 1,085TWh). The long-term target is to reach carbon neutrality by 2050.

<sup>10</sup> E.g., GHG emissions, Capital Expenditures, Green CapEx ratio.

	<p>of such strategy<sup>11</sup>) and how the interim targets align with the long-term carbon neutrality target. There are currently no commonly established reference points available for benchmarking such targets in the oil and gas sector, such as those provided by the SBTi. However, it is benchmarked with other members of MARCOGAS, providing credibility of the Issuer's strategy to reach the targets.</p>		
<p><b>Part 5: Linking the transaction(s) to Gasunie's ESG profile</b></p>	<table border="1"> <tr> <td data-bbox="432 459 1193 712"> <p>The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.</p> </td> <td data-bbox="1193 459 1401 712"> <p><b>Consistent with issuer's sustainability strategy</b></p> </td> </tr> </table>	<p>The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>
<p>The key sustainability objectives and the rationale for issuing Green Financing Instruments are clearly described by the Issuer. The project categories considered are in line with the sustainability objectives of the Issuer.</p>	<p><b>Consistent with issuer's sustainability strategy</b></p>		

<sup>11</sup> The Executive Board of the company is responsible for supervising the implementation of the strategy while the implementation of the strategy is driven by the company's management.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES AND THE EUROPEAN GREEN BOND STANDARD

#### A. ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES AND GREEN LOAN PRINCIPLES

This section evaluates the alignment of Gasunie’s Green Financing Framework (as of November 3, 2023) with the ICMA Green Bond Principles (GBP) and LMA Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Gasunie’s Green Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles and Green Loan Principles, criteria are defined in a clear and transparent manner. The Issuer disclosed an allocation period and commits to report on allocation per project category and environmental benefits are described.</p> <p>The Issuer defines a look-back period of 3 years, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Gasunie’s Green Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it and additionally, involves various stakeholders in this process which is in line with best market practice. Furthermore, the Issuer identifies alignment of their Green Financing Framework and their green projects with the EU Taxonomy (Climate Delegated Act of June 2021), in line with best market practice.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Gasunie’s Green Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner. The proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 24 months and reallocation period of 24 months. The Issuer discloses the nature of temporary investments, in line with best market practice.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Gasunie’s Green Financing Framework is <b>aligned</b> with the Green Bond Principles and Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Gasunie explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting, in line with best market practice. Moreover, the Issuer commits to get the allocation report audited by an external party, in line with best market practice.</p>



**B. ALIGNMENT OF THE PROJECT CATEGORIES WITH THE PROPOSAL OF THE EU GBS<sup>12</sup>**



The table below evaluates the alignment of the project categories aligned with the EU Taxonomy with the European Green Bond Standard (EU GBS) (as of October 2023) on “best efforts” basis. The present SPO does not constitute a pre-issuance review as per the European GBS. The instruments issued under the Issuer’s Framework and this SPO are not designated as ‘European green bond’ or ‘EuGB’.

PROPOSAL OF EU GBS	ALIGNMENT	OPINION
0. Strategy and rationale	✓	<p>The strategy and rationale description provided by Gasunie’s Green Financing Framework, under which “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” project categories aligned with the EU Taxonomy are included, is <b>aligned</b> with the EU GBS on best effort basis.</p> <p>The rationale for issuance is stated and linked to the company’s overall strategy. The Issuer explains how the issuance contributes to specific EU Taxonomy environmental objectives as required by EU GBS.</p>
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided for “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” are <b>aligned</b> with EU GBS. While the Issuer currently has no policy in place regarding climate change adaptation (Please see Part 3.f), Gasunie provided information on the climate change adaptation measures for several assets that will be financed under this framework and is also committing to implement a formal policy (aligning with the CCA DNSH on a best-effort basis) within this 5-year timeframe.</p> <p>The Issuer specifies that “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” will be located in Germany and Netherlands, as per EU GBS requirements. The Issuer provides a statement showing that it voluntarily adheres to the requirements of the regulation proposal for “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, and “District Heating” project categories.</p>

<sup>12</sup> On “best effort” basis

		<p>The Issuer provided the types, sectors and the respective NACE codes in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006 of the projects.<sup>13</sup></p> <p>The respective amount to be allocated from bond proceeds to each project/project category, and the percentage of proceeds to be allocated respectively to projects financed after bond issuance and projects financed before bond issuance is a mandatory requirement of EU GBS and is disclosed by the issuer in the investor presentation.</p> <p>The proceeds of Green Bonds will be exclusively allocated to the Green Financing Instruments, in line with the EU GBS requirements.</p> <p>Gasunie has also included footnotes linking to the organization’s current progress on green projects included in the framework.</p>						
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Gasunie’s Green Financing Framework for “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” project categories is <b>aligned</b> with EU GBS on best effort basis.</p> <p>The project selection process is defined. Governance processes and mechanisms for identification and management of ESG risks associated with the project categories are set in place. The Issuer commits to having a governance process to determine that the “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” project categories are aligned with the EU Taxonomy criteria and provides a description of these processes, as required by the EU GBS proposal (See Table Below).</p> <table border="1" data-bbox="727 1816 1342 2000"> <thead> <tr> <th>UoP category</th> <th>EU Taxonomy Mapping</th> </tr> </thead> <tbody> <tr> <td>Transmission and distribution networks for renewable and low-carbon gases</td> <td>4.14 Transmission and distribution networks for renewable and low-carbon gases</td> </tr> <tr> <td>Storage of Hydrogen</td> <td>4.12 Storage of Hydrogen</td> </tr> </tbody> </table>	UoP category	EU Taxonomy Mapping	Transmission and distribution networks for renewable and low-carbon gases	4.14 Transmission and distribution networks for renewable and low-carbon gases	Storage of Hydrogen	4.12 Storage of Hydrogen
UoP category	EU Taxonomy Mapping							
Transmission and distribution networks for renewable and low-carbon gases	4.14 Transmission and distribution networks for renewable and low-carbon gases							
Storage of Hydrogen	4.12 Storage of Hydrogen							

<sup>13</sup> Except the Storage of Hydrogen, where there is currently no dedicated NACE Code

		<table border="1" data-bbox="727 259 1342 405"> <tr> <td data-bbox="727 259 1034 344">Carbon Capture and Storage</td> <td data-bbox="1034 259 1342 344">5.11 Transport of CO<sub>2</sub> 5.12 Underground permanent geological storage of CO<sub>2</sub></td> </tr> <tr> <td data-bbox="727 344 1034 405">District Heating</td> <td data-bbox="1034 344 1342 405">4.15 District heating/cooling distribution</td> </tr> </table> <p data-bbox="727 427 1401 842">The Issuer has not provided information on the methodology and assumptions to be used for the calculation of key impact metrics in accordance with delegated acts adopted under Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and for any additional impact metrics. The Issuer has stated that since the projects are still under development, the development of impact reporting approach will follow at a later stage. The impact reporting will also include background on the methodologies and assumptions applied.</p>	Carbon Capture and Storage	5.11 Transport of CO <sub>2</sub> 5.12 Underground permanent geological storage of CO <sub>2</sub>	District Heating	4.15 District heating/cooling distribution
Carbon Capture and Storage	5.11 Transport of CO <sub>2</sub> 5.12 Underground permanent geological storage of CO <sub>2</sub>					
District Heating	4.15 District heating/cooling distribution					
<p><b>3. Management of Proceeds</b></p>		<p data-bbox="727 898 1401 1122">The Management of Proceeds provided by Gasunie’s Green Financing Framework on “Transmission and distribution networks for renewable and low-carbon gases”, “Storage of Hydrogen”, “Carbon Capture and Storage”, and “District Heating” project categories are <b>aligned</b> with EU GBS on best effort basis.</p> <p data-bbox="727 1144 1401 1368">The Issuer has provided information to ensure that the temporary use of unallocated proceeds will not affect the delivery of environmental objectives. 100% of the bond proceeds will be allocated to activities that are environmentally sustainable under Article 3 of Regulation (EU) 2020/852.</p> <p data-bbox="727 1391 1401 1458">The Issuer has a full allocation period of 24-months after issuance.</p>				
<p><b>4. Reporting</b></p>		<p data-bbox="727 1516 1401 1673">The allocation and impact reporting description provided by Gasunie’s Green Financing Framework for all Use of Proceeds project categories are <b>aligned</b> with EU GBS on best effort basis.</p> <p data-bbox="727 1695 1401 1953">The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The Issuer commits to report annually for every 12-month period after entering a Green Financing Instrument. The reporting will be publicly available on the Issuer’s website. The Issuer also commits to report using the template provided by the</p>				

		<p>European Commission<sup>14</sup>. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer commits to including in the allocation reports project-by-project information on amounts disbursed and the expected positive and negative environmental impacts.</p>
<b>5. External Review</b>	✓	<p>The Issuer commits to provide on post-issuance external review of the allocation report is in line with the requirements of the proposed EU GBS.</p>
<b>6. Impact Reporting</b>	✓	<p>The Issuer commits to report annually the impact of the bond until full allocation, aligned with the EU GBS on best effort basis.</p> <p>The Issuer also commits to include a list of environmental impact indicators into the report, aligned with the EU GBS on best effort basis.</p>

<sup>14</sup> European Commission, Annex II, Annexes to the Proposal for a Regulation of the European Parliament and of the Council on European green bonds (July 2021), [https://eur-lex.europa.eu/resource.html?uri=cellar:e77212e8-df07-11eb-895a-01aa75ed71a1.0001.02/DOC\\_2&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:e77212e8-df07-11eb-895a-01aa75ed71a1.0001.02/DOC_2&format=PDF)

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA <sup>15</sup>

### CONTRIBUTION OF THE GREEN FINANCING INSTRUMENTS TO THE UN SDGs<sup>16</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Energy Infrastructure</b></p> <p><b>Transmission and distribution networks for renewable and low-carbon gases</b></p> <ul style="list-style-type: none"> <li>▪ <i>Construction or operation of new transmission and distribution networks dedicated to hydrogen and other low-carbon gases, including hydrogen import terminals</i></li> </ul>	<b>Contribution</b>	

<sup>15</sup> We note that the Issuer has aligned its eligibility criteria with the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

<sup>16</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

**Energy Infrastructure**

**Storage of Hydrogen**

- Construction of hydrogen storage facilities
- Operation of hydrogen storage facilities, when data is available on the lifecycle GHG emissions of stored hydrogen, lower than 3tCO<sub>2</sub>e/tH<sub>2</sub>

Contribution



**Pollution prevention and control**

**Carbon Capture and Storage**

- Construction and operation of any modes of transport of CO<sub>2</sub>, including pipelines, CO<sub>2</sub> terminals and retrofit of gas networks where the main purpose is the integration of captured CO<sub>2</sub>, with CO<sub>2</sub> leakages below 0.5% of the mass of CO<sub>2</sub> transported, delivery to a compliant permanent CO<sub>2</sub> storage site, and implementation of leak detection systems and an externally-reviewed monitoring plan<sup>17</sup>
- Permanent storage of captured CO<sub>2</sub> in appropriate underground geological formations, in compliance with Directive 2009/31/EC, with appropriate leakage detection systems to prevent release during operation and a monitoring plan of the injection facilities, the storage complex, and, where appropriate, the surrounding environment with the regular reports checked by the competent national authority<sup>18</sup>

Contribution



**Energy Efficiency**

**District Heating**

- Construction and operation of efficient pipelines and associated infrastructure for distributing heating and cooling<sup>19</sup>

Contribution



<sup>17</sup> Leakages are measured using the Nederlandse Emissieautoriteit (Dutch Emissions Authority) guidelines.

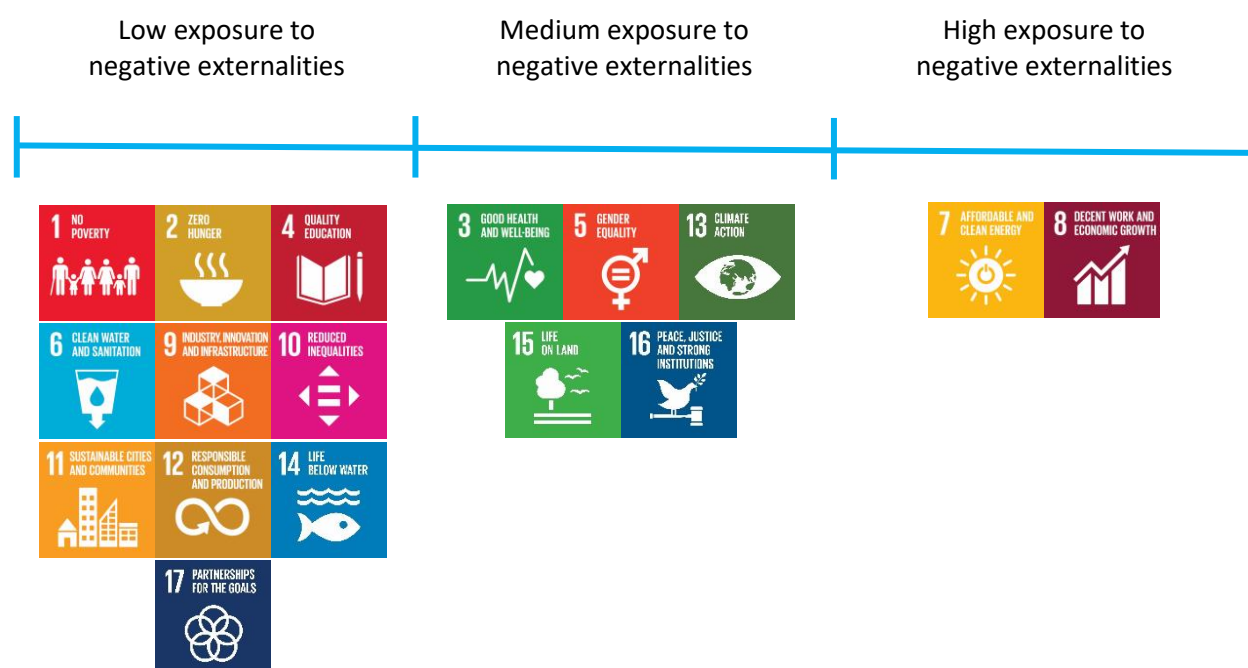
<sup>18</sup> Selected joint ventures may cover both transportation and permanent storage of CO<sub>2</sub>.

<sup>19</sup> As defined in Article 2, point 41, of Directive 2012/27/EU, district heating or cooling system using at least 50 % renewable energy, 50 % waste heat, 75 % cogenerated heat or 50 % of a combination of such energy and heat.



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>20</sup> in the Gas and Electricity Network Operators (to which Gasunie belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <small>21</small>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Energy Infrastructure</b></p> <p><b>Transmission and distribution networks for renewable and low-carbon gases</b></p> <ul style="list-style-type: none"> <li>Conversion or repurposing of existing natural gas networks to 100% hydrogen</li> <li>Retrofit of existing gas transmission and distribution networks to enable the integration</li> </ul>		

<sup>20</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.  
<sup>21</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

*or the increase of the blend of hydrogen and other low-carbon gases in the network, including green gas boosters<sup>22</sup>*

- *Leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage<sup>23</sup>*

## Energy Infrastructure

### Storage of Hydrogen

- *Conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen*



## Energy Efficiency

### District Heating

- *Refurbishment of efficient pipelines and associated infrastructure for distributing heating and cooling, where the investment starts within a 3-year period*
- *Modification to lower temperature regimes*
- *Modification to advanced pilot systems*



<sup>22</sup> The Issuer referred green gas booster as a compressor used for increasing the pressure of green gas in the regional grid to the level required for the national grid in the Green Financing Framework

<sup>23</sup> For issued Green Bonds the allocation of proceeds to this Eligible Green Project sub-category will not exceed 10%



## PART III: ALIGNMENT OF THE GREEN FINANCING INSTRUMENTS WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of Gasunie's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>24</sup> (June 2021), based on information provided by Gasunie. Where Gasunie's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Gasunie's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 4.12 Storage of hydrogen
- 4.14 Transmission and distribution networks for renewable and low-carbon gases
- 4.15 District heating/cooling distribution
- 5.11 Transport of CO<sub>2</sub>
- 5.12 Underground permanent geological storage of CO<sub>2</sub>





All projects financed under the Green Financing Framework are and will be located in the Netherlands and Germany.

Note: In order to avoid repetition, the evaluation of the alignment of Gasunie's assets to the Do No Significant Harm Criteria to climate change adaptation is provided in Section g). Similarly, the evaluation of the alignment to the DNSH to sustainable use and protection of water and marine resources is given in h), and the evaluation of the alignment to the DNSH to protection and restoration of biodiversity and ecosystems is given in section i). They are applicable to all of the above activities.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

<sup>24</sup>Commission Delegated Regulation (EU) 2020/852, URL [https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

a) 4.12 – Storage of hydrogen

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>25</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Gasunie confirms that under this Framework, the eligible projects are related to the construction of hydrogen storage facilities in the Netherlands and Germany. For operational expenditures dedicated to storage facilities, the Sustainable Finance Working Group will screen eligible projects to ensure that where the hydrogen is stored complies with the criteria for manufacture of hydrogen set out in Section 3.10 of the EU Taxonomy Annex.</p>	
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Gasunie confirms that a waste management plan is in place, and that the Company integrates circularity considerations into decision-making to optimise reuse and recyclability as per the waste hierarchy. In particular, reuse is optimized for other hydrogen storage caverns.<sup>26</sup></p> <p>Gasunie states that it encourages the use of recycled or reusable materials and requires its suppliers for raw material certifications to understand whether the material consists of recycled materials. Also, Gasunie measures and reports on the circular purchasing milestones on its annual report.</p>	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Gasunie confirms that the Seveso III European Directive (Directive 2012/18/EU) was transposed into the national legislation of the countries they are developing projects in. In the Netherlands, it was done through the Dutch Decree on Companies with Risks of Major Accidents (BRZO).<sup>27</sup> In Germany it is implemented through the amended Major Accidents Ordinance.<sup>28</sup></p>	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>25</sup> This column is based on input provided by the issuer.

<sup>26</sup> Gasunie explains for example that materials used for the “A8 Test project” are reused for other caverns whenever possible.

<sup>27</sup> Government of the Netherlands, Hazardous substances and high-risk enterprises, <https://www.government.nl/topics/hazardous-substances/hazardous-substances-and-high-risk-enterprises>

<sup>28</sup> Twelfth Ordinance for the Implementation of the Federal Immission Control Act (Malfunction Ordinance - 12th BImSchV), [https://www.gesetze-im-internet.de/bimsv\\_12\\_2000/12\\_BImSchV.pdf](https://www.gesetze-im-internet.de/bimsv_12_2000/12_BImSchV.pdf)

See h)	✓
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*b) 4.14 - Transmission and distribution networks for renewable and low-carbon gases*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>29</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Gasunie complies with the requirements set out in the Taxonomy.</p> <ul style="list-style-type: none"> <li>▪ The Dutch Hydrogen Backbone will mainly consist of the reconversion/repurposing of existing natural gas networks and partly of the construction of new infrastructure dedicated to hydrogen.</li> <li>▪ The project includes leak detection and repair of gas pipelines and other network elements to reduce methane leakage. The pipelines to be retrofitted for hydrogen transport will be inspected and cleaned before re-use to ensure leakages are detected and repaired before re-use. Valves, flanges for example will be replaced before hydrogen transport is done. In addition, the leak detection and repair program (LDAR) are able to detect leaks in connections and appendages at compressor stations, gas receiving stations, metering and regulating stations and high-pressure valves locations.</li> </ul>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	○
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See g)	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>29</sup> This column is based on input provided by the issuer.




<p>Gasunie confirms that the activity complies with Directive 2009/31/EC as it is implemented in national Dutch and German regulation.<sup>30</sup></p> <p>Gasunie confirms to include sustainable requirements in the tendering process for equipment deployment, and that not addressing these requirements in the tender submission results in the disqualification of the proposal.</p> <p>Gasunie specifies that none of the components used in the projects are included in the Directive 2009/125/EC, though Gasunie commits to cover ESG aspects as per the directive when procuring equipment with high energy consumption.</p>	✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See h) for generic requirements,	✓

*c) 4.15 – District heating/cooling distribution*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>31</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
<p>Gasunie confirms that the Sustainable Finance Working Group will systematically screen the future projects financed under this framework against the criteria set out in the Taxonomy.</p> <p>In particular, Gasunie confirms that the projects for construction and operation of pipelines and associated infrastructure for distributing heating and cooling meet the requirements of “efficient district heating and cooling” laid down in Article 2, point 41, of Directive 2012/27/EU of using at least 50% renewable energy, 50% waste heat, 75% heat from cogeneration or 50% from a combination of such energy and heat.</p>	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	○
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	

<sup>30</sup> Bundesgesetzblatt Teil 1 (BGB 1); Number:38; Publication date: 2012-08-23; Page: 01726-01753

<sup>31</sup> This column is based on input provided by the issuer.

<p>See g) for generic requirements,</p> <p>In addition activity-specific assessment has been conducted as part of the Environmental Impact Assessment (EIA) for the projects considered under this Framework. Gasunie confirms that they will implement the mitigation measures recommend by the EIA. The Company, also confirms to apply similar approach for future projects financed under this Framework.</p>	
<p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>N/A: there are no EU Taxonomy criteria for the category</p>	
<p><b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>Gasunie confirms that the activity complies with Directive 2009/31/EC<sup>32</sup> as it is implemented in national Dutch and German regulation.</p> <p>Gasunie confirms to include sustainable requirements in the tendering process for equipment deployment, and that not addressing these requirements in the tender submission results in the disqualification of the proposal.</p> <p>Gasunie specifies that none of the components used in the projects are included in the Directive 2009/125/EC, though Gasunie commits to cover ESG aspects as per the directive when procuring equipment with high energy consumption.</p>	
<p><b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b></p>	
<p>See i) for generic requirements,</p> <p>In addition an activity-specific assessment has been conducted as part of the the Environmental Impact Assessment (EIA) for the projects considered under this Framework.</p> <p>Gasunie confirms that they will implement the mitigation measures recommend by the EIA. The Company also confirms to apply similar approach for future projects financed under this Framework.</p>	

*d) 5.11 Transport of CO<sub>2</sub>*

<p><b>PROJECT CHARACTERISTICS AND SELECTION PROCESSES<sup>33</sup></b></p>	<p><b>ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA</b></p>
<p><b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b></p>	

<sup>32</sup> In the Netherlands, in September 2011 the Mining Act and subordinate legislation were amended in order to implement the CCS-Directive (2009/31/EC). In Germany, the Carbon Capture and Storage Act (KSpG) has been implemented in September 18012.

<sup>33</sup> This column is based on input provided by the issuer.

Gasunie confirms that the projects financed under this framework comply with the criteria set by the Taxonomy including the ones set out in the Section 5.12. Only projects in the Netherlands are considered. Gasunie confirms that appropriate leak detection systems are applied, and monitoring plan are verified by National Mines Inspectorate (SODM) and Nederlandse Emissie autoriteit (NEA).	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	○
<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
See g) for generic requirements,	✓
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there is no EU Taxonomy criteria for the category	
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See h) for generic requirements,	✓

*e) 5.12 Underground permanent geological storage of CO<sub>2</sub>*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>34</sup>	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</b>	
Gasunie confirms that the projects financed under this framework will all be located in the Netherlands and comply with the criteria set by the Taxonomy including criteria set out in the Directive 2009/31/EC. <sup>35</sup>  The Company also confirms that appropriate leak detection systems are applied, and monitoring plan verified by National Mines Inspectorate (SODM) and Nederlandse Emissie autoriteit (NEA) is in place.	✓
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
See f)	○

<sup>34</sup> This column is based on input provided by the issuer.

<sup>35</sup> In September 2011 the Mining Act and subordinate legislation were amended in order to implement the CCS-Directive (2009/31/EC).

<b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b>	
N/A: there are no EU Taxonomy criteria for the category	
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>	
Gasunie confirms that the activity complies with Directive 2009/31/EC as it is implemented in national Dutch and German regulation.	✓
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
See h)	✓

*f) Generic Criteria for DNSH to climate change adaptation*


PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>36</sup>	ALIGNMENT WITH THE EU TAXONOMY
<b>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Gasunie’s project will be in the Netherlands and in Germany where the European Environmental Impact Assessment Directive is embedded and translated in national regulation, therefore applicable to Gasunie’s activities.</p> <p>To identify, manage, and report physical climate risks of their projects, Gasunie uses the corresponding national Frameworks. For instance, Gasunie's projects in the Netherlands fall under the governance of the Delta Plan on Spatial Adaptation 2018 (or the “Delta Plan”)<sup>37</sup> that considers various climate-scenario, including IPCC scenarios.<sup>38</sup> For projects in Germany, Gasunie complies with the German Strategy for Adaptation to Climate Change (DAS) which also applies IPCC RRP scenarios.</p> <p>Gasunie has implemented climate change assessments for relevant projects as part of general risk analysis covering topics such as heat and water level rises.</p> <p>While the Issuer currently has no policy in place to systematically assess and monitor the risks regarding climate change adaptation, Gasunie commits to implement a formal policy (aligning with the CCA DNSH on a best-effort basis) within a five-year timeline across the whole scope of business.</p>	○

<sup>36</sup> This column is based on input provided by the issuer.


<sup>37</sup> <https://english.deltaprogramma.nl/delta-programme/knowledge-development/delta-scenarios>

<sup>38</sup> Gasunie explains that Delta Scenarios are designed with a range of perspectives that are informed by a number of science-based models including the Intergovernmental Panel on Climate Change (IPCC) reports and RCP scenarios. Projected global temperature rise varies from +1.5 to +3.5 degrees Celsius by 2050. See: [https://media.deltares.nl/deltascenarios/deltascenarios\\_nieuwe\\_blik\\_op\\_de\\_toekomst.pdf](https://media.deltares.nl/deltascenarios/deltascenarios_nieuwe_blik_op_de_toekomst.pdf).

*g) Generic Criteria for DNSH to sustainable use and protection of water and marine resources*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>39</sup>	ALIGNMENT WITH EU TAXONOMY
<b>3. SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Gasunie confirms that the Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan (EU Water Framework Directive) is implemented in national Dutch and German regulation.</p> <p>According to the issuer, the impact of the project on Water is part of the Environmental Impact Assessments that are (or will be) performed for all projects.</p> <p>Gasunie is committed to follow-up on the required mitigation measures if relevant.</p>	

*h) Generic Criteria for DNSH to protection and restoration of biodiversity and ecosystems*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>40</sup>	ALIGNMENT WITH EU TAXONOMY
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>	
<p>Gasunie confirms that the European Environmental Impact Assessment Directive (Directive 2011/92/EU) is implemented in national Dutch and German regulation, therefore applicable to Gasunie’s activities, as well as the Directives 2009/147/EC and 92/43/EEC, regarding projects near biodiversity sensitive and protected areas.</p> <p>Thus, Environmental Impact Assessment are performed for all projects and Gasunie is committed to follow-up on the required mitigation measures. The projects process include provisions in case mitigation measures are needed to be implemented. Also, there is a system in place for monitoring mitigation measures required by the Environmental Impact Assessment.</p>	

*Minimum Safeguards*


The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation<sup>41</sup> have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

<sup>39</sup> This column is based on input provided by the issuer.

<sup>40</sup> This column is based on input provided by the issuer.

<sup>41</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>



PROJECT CHARACTERISTICS AND SELECTION PROCESSES <sup>42</sup>	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>All Gasunie’s operations are taking place in the Netherlands and Germany, two members of OECD where stringent standards related to Human Rights are enforced and complied with by the Group. For example, the Netherlands released their National Action Plan on Business &amp; Human rights (NAP) that sets out the requirements companies should embed to respect human rights in their business operations both in the Netherlands and abroad.</p> <p>To identify and assess potential adverse impacts at corporate level, Gasunie runs a Materiality Analysis to determine the most important topics affecting its business, and risks related to breach of Human Rights were not recognized as material. Also, Gasunie leverages its Company Risk Management system which relies on Corporate Risk Analysis, Business Risk Analysis, Project Risk Analysis, Operational Risk Analysis as well as Internal Control Plans and Process review. All eligible green projects financed under this framework are therefore going through this ESG risk assessment.</p> <p>To ensure business partners operate under a safe environment, high business ethics as well as underline the importance of environmental protection, Gasunie published a Code of Conduct and Supplier Code of Conduct<sup>43</sup> which endorses the United Nations Guiding Principles. As part of its internal governance, the board has oversight on Gasunie’s Codes of Conduct. Gasunie explains being in dialogue with internal and external stakeholders, to keep them as up to date as possible on their positive and negative value creation, to identify, assess, and transparently report on adverse impacts.</p> <p>Besides, the Company states that they strive to have fully incorporated the human rights due diligence steps by end-2024.</p> <p>Gasunie has also established a whistleblowing system to ensure confidentiality, anonymity, and protection of employee whistleblowers.</p> <p>In addition, Gasunie’s launched the Raising Concerns initiative allowing employees to report any potential unpleasant situation or inappropriate behavior to a confidential adviser, that will help to find a suitable solution.</p>	

<sup>42</sup> This column is based on input provided by the issuer.

<sup>43</sup> [https://www.gasunie.nl/leveranciers/\\$671/\\$679](https://www.gasunie.nl/leveranciers/$671/$679)

## PART IV: ALIGNMENT WITH ICMA CLIMATE TRANSITION FINANCE HANDBOOK (CTFH)

### 1. Climate Transition Strategy and Governance

According to the issuer, Gasunie's issuance of Green Financing Instruments (Bonds, Commercial Paper, and Loans) will aim at financing the company's Vision 2030, which was announced in 2020 as a new strategy to transform the company from a gas transmission company into an energy infrastructure company.<sup>44</sup> The strategy has been designed using the INT ("Internationale sturing")<sup>45</sup> scenario described in the Integrated Infrastructure Outlook 2030-2050 (II3050)<sup>46</sup> and includes both interim and long term GHG emissions targets (e.g., by 2030, reduce methane emissions below 70 kton CO<sub>2</sub>eq/year (from 154kton CO<sub>2</sub>eq in 2020) and reduce CO<sub>2</sub>eq emissions (scope 1+2 market-based) below 219 kton based on constant transport volume (from 329 kton CO<sub>2</sub>eq in 2020 with a transported volume of 1,085 TWh, reach carbon neutrality by 2050). Amongst the actions needed to implement such strategy, Gasunie is planning to transport lower carbon forms of gas, developing infrastructure for the transmission and storage of hydrogen, delivering heat energy to homes, investing into CO<sub>2</sub> storage solutions, and reduce its vented and fugitive methane emissions. To reach its interim targets, Gasunie has set goals in three directions, accelerating the energy transition, connecting Europe, and optimising infrastructure.<sup>47</sup> The transition strategy is supervised by the Executive Board, with the company's different management lines being responsible for its implementation. The company provides information of its contribution to the United Nation Sustainable Development Goals (SDGs), describing the environmental and social contribution in its Annual Report, Green Deals, and CSR policy.

**Opinion:** *The climate change strategy is clearly elucidated, displayed in the Annual Report 2022. The financing instruments will be used to support this strategy and the INT scenario chosen from the II3050 study. There are details around the different actions that would contribute towards the overall strategy, like keeping methane emissions below 70 kton CO<sub>2</sub>eq/year, and CO<sub>2</sub>eq emission below 219 kton by 2030 compared to 329 kton CO<sub>2</sub>eq in 2020. Also, Gasunie provides details about the capital expenditure (CapEx) plan per technology used. Information has also been provided on how Gasunie acts to mitigate relevant environmental and social externalities and contribute to the UN SDGs, such as reusing materials, contributing to local biodiversity, and maintaining certain social policies over supplier selection. The Executive Board of the company is responsible for supervising the implementation of the strategy while the implementation of the strategy is driven by the company's management structured in line with the Three Lines Model.<sup>48</sup> Gasunie's development and proposed investments into the different actions have received support and input from an external consultancy, which is technically qualified in this area, and which provides additional legitimacy. However, there is no external review of how the interim targets align with the long-term carbon neutrality target, and of the credibility of the Issuer's climate transition strategy (including the governance of the oversight of such strategy).*

<sup>44</sup> Gasunie's Annual Report 2022. [https://www.publicatiesgasunie.nl/en/annual-report-2022/downloadaspdf/\\$4499/\\$4498](https://www.publicatiesgasunie.nl/en/annual-report-2022/downloadaspdf/$4499/$4498)

<sup>45</sup> Gasunie's Future scenarios II3050 [https://www.gasunie.nl/expertise/energiesysteem/ii3050/\\$2436/\\$2439](https://www.gasunie.nl/expertise/energiesysteem/ii3050/$2436/$2439)

<sup>46</sup> Gasunie's profile. [Gasunie's profile](#) > [Gasunie Jaarverslag 2021 \(gasuniereport2021.nl\)](#)

<sup>47</sup> Gasunie's profile. *Our Strategy*. [Gasunie's profile](#) > [Gasunie Jaarverslag 2021 \(gasuniereport2021.nl\)](#)

<sup>48</sup> According to that model, the management is considered as the first-line and has the primary responsibility to own and manage risks associated with day-to-day operational activities. The second-line function enables the identification of emerging risks in daily operation of the business. The third-line function provides objective and independent assurance.

## 2. Business Model Environmental Materiality

Gasunie's business model centers on transmission, storage and conversion of energy, mainly natural gas, but it is increasingly adding transportation and storage of hydrogen, green gas<sup>49</sup>, and carbon capture and storage service into the value chain. Gasunie's climate transition strategy focuses on enabling the transport and storage of hydrogen, green gas, heat, and CO<sub>2</sub> products in its network, as well as decarbonizing its own operations. The issuance of Green Financing Instruments will help finance the transition strategy of Gasunie through new or existing green projects such as contributing to the transmission and distribution of renewable energy, the development of CO<sub>2</sub> transport and storage infrastructure, improving natural gas leak detection.

**Opinion:** ISS ESG finds that the transition strategy and the decarbonization transformation is funding strategic changes that are core to the company's business activities, with investment in the energy transition infrastructure of the company. The transition strategy also considers potential future scenarios, a regional scenario, a national scenario, a European scenario, and an international scenario. In each of them, a different approach to the energy system governance was chosen, and assumptions were made, such as a more rapid increase of hydrogen usage in the economy, and more rapid electrification of the economy, which may result in sharper decreases in gas usage, although they might not necessarily impact on current determinations concerning materiality.

## 3. Climate transition strategy to be "science-based"

Gasunie's transition strategy:

- Is quantitatively measurable by using Methane emissions and CO<sub>2</sub>eq emissions (based on a consistent measurement methodology over time). It covers scope 1 and 2 emissions fully, with limited coverage of scope 3 emissions (procured N<sub>2</sub>, business travel and commuting). Historic emissions are reviewed by the Issuer's accountant, who provides limited assurance on the data. This metric is in line with the latest available methodology.<sup>50</sup>
- Is not aligned with, benchmarked, or otherwise referenced to science-based trajectories. However, it is benchmarked with other members of MARCOGAS.<sup>51</sup>
- Is publicly disclosed, such as in the Annual Report 2022
- Includes interim milestones<sup>52</sup>
- It is not yet supported by independent assurance or verification by a qualified party

Gasunie had previously published a study "Infrastructure Outlook 2050"<sup>53</sup>, which projects what the energy infrastructure in the Netherlands and Germany may be like in 2050. The study is based on a few scenarios created by private companies and research organizations. Therefore, to some extent,

<sup>49</sup> Green Gas, Gasunie, <https://www.gasunie.nl/en/expertise/green-gas#component-table-of-contents-anchor-4309>

<sup>50</sup> In its reporting for 2022, based on the information published by the Dutch National Institute of Public Health and Environmental Protection ('RIVM') on its emissions reporting, Gasunie increased its GWP value for methane (i.e., factor for conversion to CO<sub>2</sub>e) from 25 to 28. For the years 2020 to 2022, Gasunie adjusted the CO<sub>2</sub>e calculation using the GWP of 28 for methane.

<sup>51</sup> MARCOGAZ is a non-profit international association founded in 1968 that represents the European gas industry on all technical aspects of the gas system's full value chain, <https://www.marcogaz.org/>

<sup>52</sup> Interim goals for 2030: 50% of construction project procurement to contractors with emission reduction measures, 12.5% reduction in energy use compared to 2020, 75% electricity purchase from green sources, methane emissions bellow 70kton CO<sub>2</sub>eq, CO<sub>2</sub>eq emissions (scope 1 and 2) bellow 219kton.

<sup>53</sup> Infrastructure Outlook 2050, Gasunie, <https://www.gasunie.nl/en/expertise/system-integration/infrastructure-outlook-2050>

the company's ensuing overall transition strategy is based on robust research and the product of diligent analysis and consideration.

**Opinion:** *ISS ESG finds that the implementation of the climate transition strategy is tracked by following a list of measurable key indicators such as (i) fugitive and vented methane emissions from the gas distribution network, as well as the (ii) company's Scope 1 & 2 GHG emissions. Scope 2 emissions from electricity usage and from operations in the Netherlands are offset with Guarantees of Origin (GOs). The methane emissions will be reported using the Methane Guiding Principles, which is an industry standard. The Scope 1 & 2 GHG emissions are reported using the GHG Protocol. Therefore, both metrics can be readily benchmarked against past performance (as Gasunie is using the same methodology over time), against peers or other external reference points.*

*Other than comparisons with the EU and relevant national government GHG emissions targets (Gasunie highlights its role in the energy transition and its contribution to the Netherlands' emission reduction targets, following the country's National Transition Pathway), no references to science-based targets or pathways have been provided for the targets or the overall strategy. This is partly because SBTi is currently in the process of creating a methodology for the fossil fuel sector. Gasunie has made the commitment to reconsider its interim emissions targets and trajectory when the SBTi methodology becomes available.*

#### 4. Implementation Transparency

Gasunie has stated that as part of its Vision 2030, it will invest EUR 8.5 billion to transform its business.<sup>54</sup> Figure 1. shows the company’s investments into different energy sources to achieve this transformation.

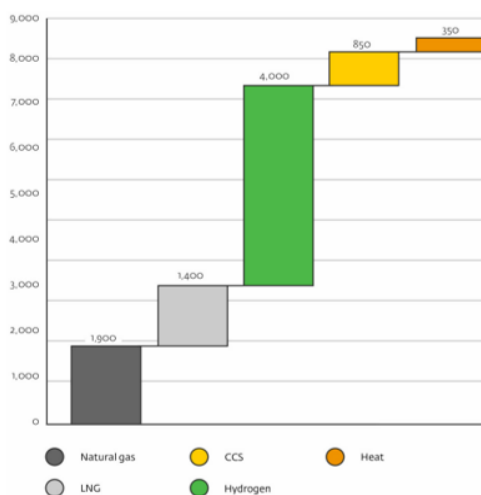


Figure 1. Major investments in energy transition and security of supply over the 2020 – 2032 period<sup>55</sup>

The investments are in natural gas infrastructure, concerning replacement and expansion. According to the Issuer, Gasunie is legally obliged to ensure EU’s energy security. Due to the geopolitical situation with Russia, there was a decrease of pipeline gas and an increase in the entry of LNG. Also, according to the issuer, new investments in the expansion of the natural gas infrastructure were made to meet Gasunie’s legal obligations. A detailed description of the action plan regarding hydrogen, carbon capture and storage (CCS), heat and green gas has been displayed in Gasunie’s Green Financing Framework 2023. In its annual report, a quantitative assessment of the annual tonnes of potential locked-in GHG emissions from hydrogen, CCS, green gas, heat is provided, with calculation of the emission reduction from 2022 (0.1 tonnes) and yearly projections until 2030 (21.2 tonnes). Qualitative information of the climate-related outcomes and impacts of the expenditures, and the expected future contribution of Gasunie’s project to the Netherlands’ Transition Pathway are presented in the annual report<sup>56</sup> and Green Financing Framework of the Issuer. In its 2022 Annual report, the Issuer provides transparency on a green CapEx ratio calculated by dividing the amount invested in taxonomy eligible activities (providing a breakdown per EUT activity) by the total amount invested. In 2022, the investment in EUT eligible categories (Storage of hydrogen, transmission and distribution networks for renewable and low-carbon gases, district heating and cooling distribution, transport of CO<sub>2</sub>, transport by motorbikes, passenger cars and light commercial vehicles, data-driven solutions for GHG emissions reductions, and market research, development, and innovation) reached EUR 128.8 million, a 12.9% of the total CapEx. Gasunie provides the internal prices of CO<sub>2</sub> used to make investment decisions and shares those prices with its stakeholders in its annual report.

<sup>54</sup> Value considering investments until 2032.

<sup>55</sup> Gasunie’s Green Financing Framework 2023

<sup>56</sup> Gasunie’s Annual Report 2022, <https://www.publicatiesgasunie.nl/en/annual-report-2022>

Risk Management is part of the governance line of Gasunie, and it covers the environmental and social risks associated with its strategic and operational decisions. The negative impacts of the transition strategy and Gasunie's investments are detailed in the annual report, with information about the environmental irregularities and other environmental impacts (NO<sub>x</sub> emissions and carbon emissions) and how to manage those risks.

**Opinion:** *ISS ESG finds there is a clear headline number for the overall investment into the transition strategy, as well as plans for various sums to be invested into different areas. Gasunie created an action plan, Vision 2030, to deliver decarbonization outcomes, which shows the company has analyzed the feasibility of various options and necessary changes. The expenditure and progress of relevant investments are disclosed and clearly explained in annual reporting, as recommended by the CTFH. The green CapEx ratio and operational expenditures for each EUT eligible activity are detailed in the annual report. The Issuer reports with quantitative details the potential locked-in GHG emissions from hydrogen, CCS, green gas, and residual heat. The Issuer provides qualitative and quantitative details of the environmental outcomes related to the expenditures. There are quantitative details regarding the expected CO<sub>2</sub> emissions reduction in the Netherlands resulting from Gasunie's investments. Gasunie also displays how those investments will affect its scope 1 and 2 emissions. Gasunie addresses potential negative impacts with its employees and external stakeholders.*

## PART V: LINKING THE TRANSACTION(S) TO GASUNIE'S ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH GASUNIE'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

Gasunie bases their business strategy on three pillars which include: optimising infrastructure, connecting Europe through national gas grids, and accelerating the energy transition. In 2020, Gasunie captured its strategy for the coming ten years: Vision 2030. By 2030, Gasunie is targeting to have completed its transformation from a gas transmission company to an energy infrastructure company. Additionally, Gasunie intends to invest €8.5 billion in energy transition infrastructure over the period up to 2032.

The Group has set 2030 targets for nine different areas for which Gasunie can make its day-to-day operations in line with the United Nations' Sustainable Development Goals (UN SDGs). Gasunie's nine Green Deals for the year 2030 are as follows:

- Green Deal 1 – Zero-emission construction site: Award 50% of construction project procurement to contractors with verifiable emission reduction measures.
- Green Deal 2 – Circular purchasing: 50% of purchased kilograms of material is demonstrably circular<sup>57</sup>.
- Green Deal 3 – Reusing assets: Dutch national hydrogen network 100% ready, with 85- 90% reuse of existing pipelines.
- Green Deal 4 – Social chains: 80% of Gasunie's suppliers subscribe to the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises / the United Nations Guiding Principles on Business and Human Rights (UNGP).
- Green Deal 5 – Inclusiveness and diversity: Senior management includes at least 30% women.
- Green Deal 6 – Biodiversity: 100% of large installations contribute to biodiversity<sup>58</sup>.
- Green Deal 7 – Energy efficiency: 12.5% reduction in energy use compared to the base year 2020.
- Green Deal 8 – Energy purchasing: 75% of electricity purchases come directly from wind power source in Gasunie's market area which has 2027 as a target year.
- Green Deal 9 – Emissions reduction: Methane emissions below 70 kilotons CO<sub>2</sub>eq/year and CO<sub>2</sub>eq emissions (Scope 1 and 2 market-based) below 219 kilotons based on constant transport volume.

<sup>57</sup> The materials are previously used and reused in a new cycle at the end of their life or use phase while retaining the value as much as possible. The definition is Total spend on materials that are circular. It is determined by multiplying the total material spent by the weighted average circularity score of the purchased materials. Determining the circularity score on product/supplier level is based on which we determine one overall circularity score.

<sup>58</sup> Gasunie is committed to restoring biodiversity and species diversity with this Green Deal. Gasunie's work takes place in natural and rural areas, and this always involves a degree of damage. Therefore, with the help of ecological experts, they look for locations where they can encourage biodiversity and always try to leave behind more biodiversity and species diversity than what they have damaged. The denominator is the total number of large installations (NL: 19, DE: 9). The numerator is the number of large installations, where a contribution is made to biodiversity.



The progress of these nine Green Deal targets is tracked internally each quarter and when actual progress is made, Issuer communicates this through their public ESG dashboard.<sup>59</sup> Additionally, Gasunie is a signatory of industry alliances such as the Clean Hydrogen Alliance, European Hydrogen Backbone, Oil and Gas Methane Partnership (OGMP) etc. Furthermore, Gasunie is in contact with Science Based Targets initiative (SBTi), where the elaboration of Scope 3 definition in their specific sector is currently a work in progress.

During management and maintenance work on Gasunie's infrastructure, methane is emitted to the air and that contributes to the greenhouse effect, which is why the Group has set targets to reduce its emissions by 2030. Gasunie aims to adapt its leak detection and repair (LDAR) program when relevant as the Group wants to continue to reduce its methane emissions and keep these low.

The Group currently foresees the various forms of energy in which it wants to play a role around 2030, such as hydrogen, carbon capture and storage, heat and green gas. Certain investments under Vision 2030 will be made in the year 2031 and 2032. The infrastructure investments for natural gas are for expansion and replacement. LNG terminals and their linkages to the gas transmission network are the focus of the investments in LNG infrastructure. There is a separate decision-making process for each project. The financing of the projects comes from various sources, such as capital market funding and operational cash flows.

Gasunie's role in the energy transition is at the core of its corporate strategy, which falls under the responsibility of the company's Executive Board. In addition to compliance with the applicable national and European environmental and social standards and regulations, Gasunie has established a selection & evaluation process, corporate sustainability and risk management policies so as to mitigate potential environmental and social risks related with the Eligible Green Projects. ESG risks are therefore included in Gasunie's overall risk management framework, which relies on a number of tools to identify the various risks/categories of risks such as Environmental Management System, Health and Safety policy, Workplace Code of Conduct etc.

Additionally, the Issuer follows Climate Transition Finance Handbook reporting recommendations. In July 2022, Gasunie issued a 'Sustainability-Linked Bond' (SLB) with a value of €500 million. The sustainability targets linked to this SLB, which are identical to those of the SLB issued in 2021 are that the company's initial goal is to cut its methane emission levels by about 50% by 2030 compared to the level in 2020 and the second goal focuses on the CO<sub>2</sub> equivalent emissions that the corporation can control (scope 1+2 market-based) and calls for a 30% decrease from the 2020 level by 2030 (assuming transport volumes remain the same).

### *Rationale for issuance*

To align its financing strategy with its long-term strategic and sustainability objectives as outlined in its Vision 2030, Gasunie established a Green Financing Framework to issue green financing instruments. The aim of the Green Financing Framework is to attract funding to finance or refinance assets that contribute to its Vision 2030 and the EU Environmental Objective of Climate Change Mitigation.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Financing Framework are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

<sup>59</sup> Gasunie's public ESG dashboard - <https://www.gasunie.nl/en/organisation/corporate-social-responsibility>



## B. GASUNIE'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Gas and Electricity Network Operators, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Environmentally safe operation of plants and infrastructure
Promotion of a sustainable energy system
Worker safety and accident prevention
Accessibility and reliability of energy supply
Protection of human rights and community outreach

### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part V.A of the report.

### *Sustainability impact of products and services portfolio*

Using a proprietary methodology, ISS ESG assessed the contribution of Gasunie's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the company's production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

### *Breaches of international norms and ESG controversies*

#### At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

*At industry level*

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Gas and Electricity Network Operators industry are as follows: Anti-competitive behaviour, Failure to mitigate climate change impacts, and Strike action.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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## ANNEX 1: Methodology

The ISS ESG SPO provides an assessment of labelled transactions against international standards using ISS ESG proprietary methodology. For more information, please visit:

<https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

### EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if Gasunie's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Gasunie (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

## ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments. For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

Gasunie commissioned ICS to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the Green Bond Principles and Green Loan Principles and to assess the sustainability credentials of its Green Financing Instruments, as well as the Gasunie's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (as of June 2021 with June 2022 Appendix 1)
- LMA Green Loan Principles (as of February 2023)
- ICMA Climate Transition Finance Handbook (as of June 2023)
- EU Taxonomy Climate Delegated Act (as of June 2021)
- European Green Bond Standard (European GBS) (as of October 2023)

### ISSUER'S RESPONSIBILITY

Gasunie's responsibility was to provide information and documentation on:

- Green Financing Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

### ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social, and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing Instruments to be issued by Gasunie has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and Green Loan Principles.

The engagement with Gasunie took place from June to November 2023.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

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