

SECOND PARTY OPINION

on alignment of TenneT Green Financing Framework with the ICMA Green Bond Principles and LMA Green Loan Principles

TenneT Holding B.V.
24 March 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Financing Instruments
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles administered by the International Capital Market Association (ICMA) and Green Loan Principles administered by the Loan Market Association (LMA)
Scope of verification	<ul style="list-style-type: none">• TenneT's Green Financing Framework (as of March 2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as TenneT's Green Financing Framework does not change

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SCOPE OF WORK

TenneT Holding B.V. (“TenneT” or “the issuer”) commissioned ISS ESG to assess the alignment of its Green Financing Framework with the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and Loan Market Association’s (LMA) Green Loan Principles (GLPs), and to assess the link between the Green Financing Instruments and TenneT’s sustainability strategy – drawing on TenneT’s overall sustainability profile and issuance-specific Use of Proceeds categories.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Green Financing Instruments link to issuer’s sustainability strategy	<p>According to the ISS ESG Corporate Rating published on 17.12.2020, the issuer shows a good sustainability performance against the industry peer group on key ESG issues faced by the Network Operators sector. The issuer is rated 5th out of 50 companies within its sector.</p> <p>The Use of Proceeds financed through the Green Financing Instruments are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	Consistent with TenneT’s sustainability strategy
Alignment with GBPs and GLPs	<p>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 Green Bond Principles administered by the ICMA and Green Loan Principles administered by the LMA.</p>	Positive
Sustainability quality of the Green Asset Portfolio	<p>Not applicable for this mandate.</p> <p>Since 2015, ISS ESG verified and re-verified Green Financing Instruments issued by TenneT. All previous SPOs conducted by ISS ESG for TenneT’s Green Financing Instruments are available on the ICS website².</p>	Not applicable

¹ ISS ESG’s evaluation is based on TenneT’s Green Financing Framework (March 2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 17.12.2020).

² <https://www.isscorporatesolutions.com/solutions/esg-solutions/second-party-opinion/>

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCING INSTRUMENTS' LINK TO TENNET'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF TENNET'S ESG PERFORMANCE

Methodological note: The content of this section is extracted from the ISS ESG Corporate Rating on TenneT Holding B.V. as of 17.12.2020. Thus, this section does not reflect the latest available sustainability reporting of the company and commitment made after the date of publication of this rating.

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
TENNET	NETWORK OPERATORS	1	VERY HIGH

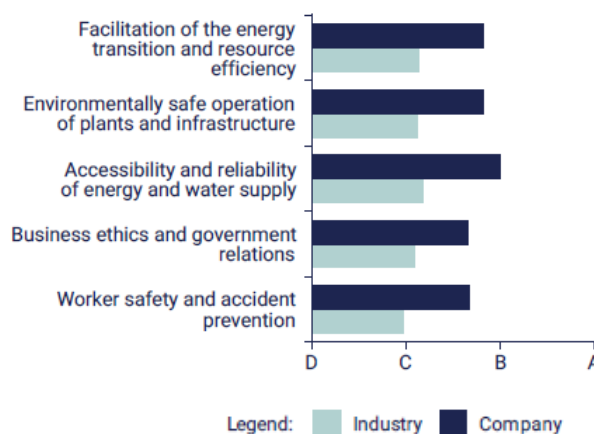
This means that the company currently shows a good sustainability performance against peers on key ESG issues faced by the Network Operators sector and obtains a Decile Rank relative to industry group of 4, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 17.12.2020, this Rating places TenneT 5th out of 50 companies rated by ISS ESG in the Network Operators sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

TenneT is exclusively engaged in the operation of electricity transmission systems in Germany and the Netherlands. As a transmission system operator, the company has an important role in the transition to a more sustainable energy system by providing the infrastructure for connecting renewable energies to the network and for transporting electricity based on renewable sources over long distances. TenneT is engaged in various initiatives in this regard, working with ministries, local and regional authorities, research institutes and other stakeholders. The company is also part of several dedicated initiatives as well as engages in research, e.g. on electricity storage solutions.

Sustainability Risks

For a transmissions system operator, the main social issues include ensuring reliable electricity transmission and system stability, and protecting the health and safety of employees and contractors. TenneT has taken appropriate measures to ensure network reliability, applying a control system, a risk management system and implementing audits. The average interruption time for the network was at a comparatively low value in 2019. TenneT has also established group-wide health and safety management systems, however the accident rate is at a comparatively high level and has increased in recent years, which may point to some deficiencies. On the environmental side, TenneT should address greenhouse gas emissions (SF6 leakages and indirect emissions through transmission losses), and the possible biodiversity impacts of its transmission network. With regard to its climate strategy, the company aims to be carbon neutral by 2025. TenneT takes various measures to reduce the negative environmental impacts of the transmission system, especially with regard to the protection of birds.

Governance opinion

TenneT's governance structure is designed to facilitate an effective supervision of the executive management team, with the chair of the Supervisory Board, Mr. Ab van der Touw, as well as all the other board members, being independent (as at October 12, 2020). In addition, the company has established completely independent audit, nomination and remuneration committees. The company discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

The Associate Director Strategy & Partnerships is responsible for the execution of the CSR ambition and reports to the CEO. In addition, sustainability performance objectives are, to some extent, integrated into the variable remuneration of the members of the executive management team. TenneT has established a code of ethics covering issues such as corruption, conflicts of interest, insider dealings and gifts and entertainment in varying degrees of detail. The code of ethics is available in local languages and distributed to all employees, and the company conducts risk assessments and compliance trainings. An anonymous and confidential hotline is available for employees and external stakeholders, and whistleblower protection is ensured.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of TenneT'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 TenneT's production process.

As TenneT's only business is to construct and operates³ grids in Germany and Netherlands in which electricity flowing is generated from various sources including fossil fuels (natural gas, coal, lignite, oil), renewable sources (wind, solar, biomass, geothermal) and nuclear energy. As the contribution to and obstruction from the energy transmitted varies depending on its sources, ISS ESG concluding that TenneT's overall business has no impact on sustainability objectives. In section III of this report, ISS ESG has assessed the Use of Proceeds categories to be financed under the Green Financing

³ TenneT is involved in design, building, maintenance and operation of the electricity grid.

Instruments as having a significant contribution to SDG 7 “Affordable and clean energy” and SDG 13 “Climate action”.

Breaches of international norms and ESG controversies

The company is not facing any severe controversy according to ISS ESG Norm-Based Research.

B. CONSISTENCY OF GREEN FINANCING INSTRUMENTS WITH TENNET’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

TenneT recognizes that transporting electricity and maintaining the security of electricity supply in a responsible manner are critically important for a modern, well-functioning society. They strive to make choices that benefit people and the planet, at the same time as generating an adequate return for their capital providers. In doing so, TenneT does not only aim to fulfil its company’s role, but also its responsibilities to its stakeholders and help to fulfil national and international agreements and goals, such as the UN SDGs.

TenneT defined its ambitions and targets in a Corporate Social Responsibility ambition plan for 2025, which strives to enhance the energy transition in a sustainable manner, with the willingness to lead the way as green grid operator.

TenneT has identified seven key areas where it can have an impact. For most sustainability priorities defined, the issuer also set quantified targets to be achieved towards 2025⁴.

TOPIC	AMBITION AREA	DESCRIPTION
People	Society	Addressing stakeholders’ concerns by committing to values such as being responsible, engaged and connected
	Diversity	Diversity is a key contribution to the company’s success as high-performance organization
	Safety	Top priority in every activity undertaken by the company
Planet	Circular	Minimizing use of scarce materials, reusing materials and reducing waste across operations
	Climate	Recognize responsibility towards climate impact of operations and strive to reduce its impact by achieving climate neutrality by 2025.
	Nature	Recognize responsibility towards natural capital impact of operations and strive to reduce its impact while improving local ecosystems
Profit	Profitability	Profitability and return on capital are important to remain attractive for capital providers in order to finance the company’s business and anticipated growth

⁴ TenneT is reporting on an annual basis of its performance against its Corporate Social Responsibility in its [annual report](#).

Rationale for issuance

The issuer recognizes its role in avoiding CO₂ emissions to reach the Paris Agreement and keep global average temperature to well below 2°C above pre-industrial levels. TenneT states being an important player in realizing decarbonization of the electricity sector and in making sure that electricity is delivered to society at all times.

According to the issuer, green financing aligns with this important role, as the company’s work contributes towards national and international climate goals, in particular its home markets in the Netherlands and Germany.

Since 2015 TenneT issued green financing instruments and its Green Financing Framework includes TenneT onshore and offshore activities. The company explains in its Green Financing Framework that this is logical considering that these activities are required to bring the energy transition to the next level.

TenneT’s Green Financing Framework serves as a structure for verifying the sustainability quality – i.e. the social and environmental added value – of the projects to be financed through our Green Financing Instruments.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green Financing Instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Network Operators sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Transmission of renewable electricity from offshore wind power plants into the onshore electricity grid using direct/alternating current technology.	✓	✓	Contribution to a material objective
Development, construction and reconstruction of the onshore electricity grid to enhance the transmission capacity for renewable energy.	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through the Green Financing Instruments are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES AND LMA GREEN LOAN PRINCIPLES

1. Use of Proceeds

The net proceeds of Green Financing Instruments will be exclusively used to finance and/or refinance in whole or in part eligible projects (“Eligible Green Projects”), in the eligible categories, together forming the “Green Project Portfolio”.

In the table below, there is a summary of the eligibility criteria for the Green Project Portfolio as well as its contribution to the UN SDGs and alignment with the EU Environmental Objectives.

ICMA GBP CATEGORY	ELIGIBLE GREEN PROJECT CATEGORIES	IMPACT	CONTRIBUTION TO UN SDG ⁵	ALIGNMENT WITH EU ENVIRONMENTAL OBJECTIVES ⁶
Renewable Energy	<p>A. Transmission of renewable electricity from offshore wind power plants into the onshore electricity grid using direct current technology or alternating current technology.</p> <p>B. Development, construction and reconstruction of the onshore electricity grid to enhance the transmission capacity for renewable energy.</p>	<p>Creates access to renewable electricity</p> <p>Contributes to potential avoidance of CO2 emissions</p> <p>100% Eligibility to Green Finance Instruments</p>	<p>SDG 7:</p> <p>By 2030, substantially increase the share of renewable energy in the global energy mix</p> <p>SDG 13:</p> <p>(Indirectly) strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p>Environmental Objective 1:</p> <p>Climate Change Mitigation</p> <p>Substantial contribution to Climate Change Mitigation (1.a): Generating, storing, distributing or using renewable energy in line with the Renewable Energy Directive, including through innovative technology with a potential for significant future savings or through necessary reinforcement of the grid</p>

The projects financed through the Green Financing Framework include several different investments, such as:

- Offshore:
 - Offshore platforms (connecting wind power installations),
 - Offshore cables (linking generation sites to the shore) located primarily in the North Sea

⁵ In alignment with ICMA “Green and Social Bonds: A high-level mapping to the Sustainable Development Goals”: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

⁶ In alignment with the EU Taxonomy Environmental Objectives as defined in Article 5, amendment 41 and Article 6: http://www.europarl.europa.eu/doceo/document/TA-8-2019-0325_EN.html

- Onshore cables (linking shore to onshore stations)
- Onshore stations located in Northern Germany and the Netherlands.
- Onshore:
 - Onshore cables located in Germany and the Netherlands (connecting wind power installations and/or enabling (long distance) transport)
 - Onshore lines and pylons located in Germany and the Netherlands (enabling long distance transport)
 - Onshore substations located in Germany and the Netherlands (enabling distribution and delivery of renewable electricity to consumers)

Opinion: ISS ESG considers the Use of Proceeds description provided by TenneT’s Green Financing Framework as aligned with the Green Bond Principles and Green Loan Principles. Environmental objectives and expected benefits are clearly expressed in reference with the UN SDGs and with the objectives defined by the EU Commission for Green Finance.

2. Process for Project Evaluation and Selection

Evaluation of the Green Projects against Eligibility criteria

TenneT’s grid system is on a pathway to full decarbonisation and the Eligible Green Projects are assessed based on the following aspects;

- Directly connecting or expanding existing direct connection of renewable electricity generation, such as wind and solar energy (production plants that are less CO2 intensive than 100 gCO2e/kWh);
- And/or increase of transport capacity due to capacity constraints related to increased share of renewable electricity in its grid.

The assessment will be internally verified and approved by the Director Business Guidance and Associate Director Strategy & Partnerships. The Director Business Guidance is responsible for the financing of TenneT and reports directly to the CFO. The Associate Director Strategy & Partnerships is responsible for the execution of the CSR ambition and reports to the CEO. The Head of Strategy and the Head of Treasury submit the selection of a new project, supported by information from the offshore and onshore departments. The decision to add a project is based on the Green Financing Framework.

Identified sustainability risks and benefits of the Green Project categories

Any activity that TenneT pursues work according to social and environmental laws. In addition, TenneT has committed itself to the UN Global Compact Principles since 2015. At the same time, it is important from a sustainability perspective to take into account all possible sustainable impacts (risks & opportunities) linked to the project categories (A and B).

IMPACT AREA	DESCRIPTION
PEOPLE	

Society	TenneT addresses its stakeholders' concerns by living up to its values, i.e. being responsible, engaged and connected. Community dialogue with affected public and private parties is essential in realizing its projects.
Safety	In its projects and activities safety is its number one priority in every activity that TenneT undertakes. Health and safety standards, especially for contractors and subcontractors are crucial aspects to live up to this.
Supply chain	Supply chain standards with respect to labour rights and working conditions are hugely important, since many of TenneT's components are produced all around the world. Commitment of its suppliers on these requirements is essential.
PLANET	
Circular	As a large player in the energy transition TenneT uses copper, steel, aluminium and many more materials to expand its grid. This has impact on raw material use and generates a waste stream that has huge impact from a circularity perspective.
Climate	Climate impact of TenneT's operations is its responsibility and TenneT strives to reduce its impact focusing on grid losses, energy use, SF6 losses and mobility
Nature	TenneT's commitment to nature is to take its responsibility to avoid, minimize its impact and protect and improve local nature. While planning, constructing and operating its assets the issuer has impact, but it also has the unique opportunity to make a positive contribution.

In addition, risks can be associated with project-related controversies, which will be transparently reported.

Sustainability criteria and Quantitative indicators for use of proceeds

In order to make sure that the related people and planet impact linked to potential projects are identified and the opportunities clearly fostered, a list of sustainability criteria has been established for both project categories.

ASPECT	QUANTITATIVE INDICATORS
Society - Community dialogue	I. Community dialogue is conducted as an integrated part of the planning process and during operation
Safety - Working conditions during construction and maintenance work	I. The company itself as well as its contractors apply high labour and safety standards during construction and maintenance work. II. Number of fatal accidents and annual accident rate related to construction and maintenance work (own employees and contractors).
Supply chain – Social standards in the supply chain	I. Suppliers comply with high standards regarding labour rights and working conditions.

<p>Circular – Decommissioning and recycling of cables, lines, onshore and offshore stations</p>	<ul style="list-style-type: none"> I. Decent decommissioning and rehabilitation of construction sites is conducted. II. Environmental and impacts at end-of-life (after at least 20 years of operation) will be minimised.
<p>Climate – Operational climate impact</p>	<ul style="list-style-type: none"> I. Reducing energy use is taken into account in the design phase. II. High standards regarding reducing SF6-leakage are applied.
<p>Nature - Nature aspects in planning, construction and operation of cables, lines, onshore and offshore stations</p>	<ul style="list-style-type: none"> I. High environmental standards and requirements (environmental impact assessment, biodiversity assessment, research on impacts on maritime fauna). II. In biodiversity hotspots for which alternative route planning has been considered and/or route planning has been optimised in consultation with experts. III. High environmental standards during construction works (noise mitigation, avoidance of pile driving, minimisation of discharges to ocean). IV. Number of environmental incidents related to construction and maintenance work

Further information on environmental sustainability benefit of use of proceeds and on impact indicators can be found in TenneT’s full Green Financing Framework⁷.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection provided by TenneT’s Green Financing Framework as aligned with the Green Bond Principles and Green Loan Principles. The eligibility criteria are precisely defined and transparently displayed in the framework. The stakeholders involved in the selection process are clearly identified as well as the responsibilities that they share in this process.*

3. Management of Proceeds

TenneT intends to allocate the proceeds from the Green Financing Instruments to the Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. Tracking will be facilitated through the portfolio approach.

TenneT will strive to maintain a level of allocation for the Green Project Portfolio which, after adjustments for intervening circumstances including, but not limited to, sales and repayments, matches or exceeds the balance of net proceeds from its outstanding Green Financing Instruments. Additional Eligible Green Projects will be added to TenneT’s Green Project Portfolio to the extent required to ensure that the net proceeds from the outstanding Green Financing Instruments will be allocated to Eligible Green Projects.

To be transparent on the financing/refinancing ratio of the portfolio, the yearly capex spend of the total portfolio will be reported.

⁷The TenneT’s Green Financing Framework can be found [online](#).

Whilst any Green Financing Instrument net proceeds remain unallocated, TenneT will hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term and liquid instruments, the balance of net proceeds not yet allocated to the Green Project Portfolio.

Opinion: *ISS ESG finds that Management of Proceeds proposed by TenneT's Green Financing Framework is aligned with the Green Bond Principles and Green Loan Principles. An appropriate tracking of proceeds is in place and the intended types of temporary investment instruments for unallocated proceeds are described.*

4. Reporting

TenneT expects to issue an annual report towards its Green investors, published together with its annual report⁸. The reporting will comprise the following information:

1. The allocation of proceeds to the projects included in the project portfolio
2. Yearly capex spend of the total portfolio.
3. The advancement of the projects in the building phase
4. Environmental impact indicators
 - a. Total number of households that would be able to switch to 100% renewable energy (based on the yearly average electricity consumption of one German/Dutch household and the actual transported amount of renewable electricity).
 - b. Potential avoidance of CO₂-emissions per year (based on actual transported amount of renewable electricity, compared to the average carbon impact of the grid in Germany/the Netherlands).
5. Operational environmental and social indicators
 - a. Society;
 - i. Average interruption time
 - ii. Number of stakeholder dialogues
 - b. Safety
 - i. Project related safety performance
 - c. Supply chain;
 - i. Commitment with supplier code of conduct
 - d. Circularity;
 - i. Project related waste figures (for projects where waste data is administered)
 - e. Climate;
 - i. Grid losses
 - ii. Energy consumption
 - iii. SF₆ losses
 - f. Nature
 - i. Oil leakages and environmental incidents
 - ii. Positive nature measures (qualitative)
6. Significant controversies

⁸ Annual Reporting can be found [online](#).

TenneT intends to align, on a best effort basis, the reporting with the portfolio approach described in "The Green Bonds Principles - Harmonized Framework for Impact Reporting (April 2020)". The reporting will be carried out once a year until the redemption of the allocated financing.

Opinion: *ISS ESG finds that the allocation and impact reporting proposed by TenneT's Green Financing Framework is aligned with the Green Bond Principles and Green Loan Principles. The level, duration, frequency and scope of reporting are clearly defined and in line with industry best practices.*

External review

Second Party Opinion (Pre-Issuance)

TenneT has appointed ISS-ESG to provide a Second Party Opinion on its Green Financing Framework. The Second Party Opinion and the Green Financing Framework are available to investors on TenneT's website⁹.

Post-issuance External Verification

An independent auditor or second party opinion consultant will provide a limited assurance and review the allocation of Green Financing Instrument proceeds, impact reporting and environmental and social metrics.

The report will be made available on TenneT's website.

⁹ External reviews can be found [online](#).

DISCLAIMER

1. Validity of the SPO: As long as TenneT's Green Financing Framework does not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: ISS ESG Corporate Rating Methodology

The following pages contain methodology description of the ISS ESG Corporate Rating.

TenneT Holding BV

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
 - Degree of verification of allegations and claims
 - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

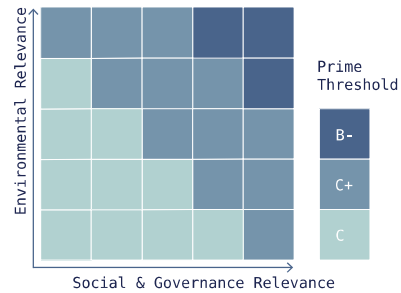
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

TenneT Holding BV

Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Quality management processes

SCOPE

TenneT commissioned ISS ESG to compile a Green Financing Framework SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the Green Bond Principles and Green Loan Principles and its link with the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles
- LMA Green Loan Principles

ISSUER'S RESPONSIBILITY

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

- Framework

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.

ISS ESG has conducted this independent Second Party Opinion of the Green Financing Instruments to be issued by TenneT based on ISS ESG methodology and in line with the ICMA Green Bond Principles.

The engagement with TenneT took place in January, February and March 2021.

ISS ESG'S 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 behaviour 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 ISS ESG 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.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

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/>

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