SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Stedin Group
1 November 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green Finance Instruments
Relevant standards	• Green Bond Principles (2021), as administered by ICMA, Green Loan Principles (2021), as administered by LMA, EU Taxonomy Climate Delegated Act (June 2021), and the proposed European Green Bond Standard (European GBS) (July 2021)
Scope of verification	• Stedin Group Green Finance Framework (1 November 2021)
Lifecycle	• Pre-issuance verification
Validity	• As long as the Green Finance Framework remains unchanged

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Scope of work

Stedin Group (Stedin) commissioned ISS ESG to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Green Finance Instruments' link to Stedin's sustainability strategy – drawing on Stedin's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Stedin's Green Finance Framework (November 2021) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) (June 2021), Loan Management Association's (LMA) Green Loan Principles (GLPs) (February 2021) and proposed European Green Bond Standard (European GBS) (July 2021).
3. The eligible project categories – whether they contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) (June 2021) and Minimum Social Safeguards requirements.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION[1]
Part 1: **Green Finance Instruments' link to issuer's sustainability strategy**	According to the ISS ESG Corporate Rating published on 09.09.2020, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Gas and Electricity Network Operators sector. As of 21 September 2021, the issuer is rated 8th out of 52 companies within its sector. ISS ESG finds that the Use of Proceeds financed through this Green Finance Framework are broadly consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.	**Consistent with issuer's sustainability strategy**
Part 2: **Alignment with GBPs, GLPs, EU Taxonomy, proposed European GBS (July 2021)**	The issuer has defined a formal concept for its Green Finance 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, Green Loan Principles, and aligned on a "best efforts" basis with the proposed European GBS (July 2021).	**Aligned**
Part 3: **Sustainability quality of the Selection Criteria**	The overall sustainability quality of the selection criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Finance Instruments will (re-)finance eligible asset categories which include: Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings. The Use of Proceeds categories have a significant contribution to SDG 13 "Climate action" and contribute positively to SDGs 7 "Affordable and clean energy" and SDG 11 "Sustainable Cities and Communities". ISS ESG assessed the alignment of Stedin's due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021). Based on robust processes for selection, the nominated project categories are considered to be aligned, on a best efforts basis, with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, including the Climate Change Mitigation Criteria, the Do No Significant Harm Criteria and the Minimum Social Safeguards requirements.	**Positive**

ISS ESG SPO ASSESSMENT

PART I: GREEN FINANCE INSTRUMENTS' LINK TO STEDIN'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF STEDIN'S ESG PERFORMANCE

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

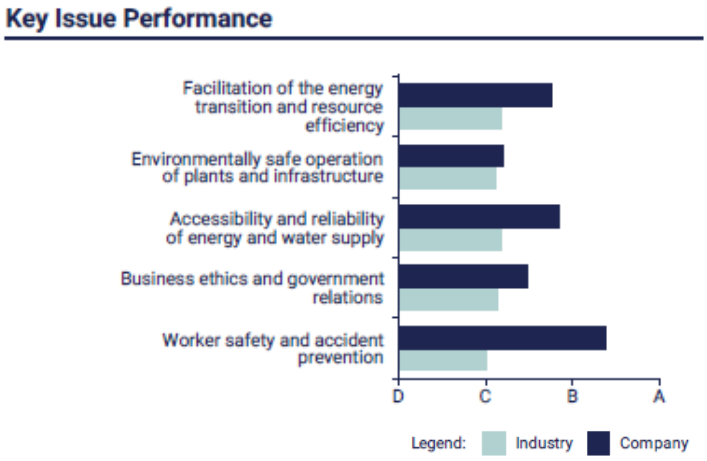
COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
STEDIN HOLDING NV	GAS AND ELECTRICITY NETWORK OPERATORS	2	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by the Gas and Electricity Network Operators sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 21.09.2021, this Rating places Stedin Group 8th out of 52 companies rated by ISS ESG in the Gas and Electricity 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.



Sustainability Opportunities

Stedin Holding (Stedin) is engaged in the development, operation, and maintenance of natural gas and electricity distribution networks in the Netherlands. As part of its power distribution business, the company implements programs to facilitate the integration of renewable energies into the grid, and has equipped more than 80% of its customers with smart meters. Natural gas is considered as a short- to medium-term bridge fuel in the energy transition process, and Stedin, as a gas network operator, contributes to this temporary solution.

[1] ISS ESG's evaluation is based on the Stedin's Green Finance Framework (November 2021), on the analysed selection criteria as received in August/September 2021, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 09.09.2020).

Sustainability Risks

For an electricity and natural gas distribution network operator, the main social issues include safeguarding the health and safety of employees and contractors, and ensuring a reliable energy supply and system stability. The company has taken adequate measures to ensure the reliability of the electricity network, which is also evidenced by a relatively low average electricity outage duration (26 minutes in 2020). Concerning health and safety, Stedin has set up certified management systems, and the accident rates among employees and contractors have decreased in recent years. Further, no recent fatal accidents have occurred among the company's workforce. From an environmental perspective, Stedin is exposed to network losses and gas leakages. The company's electricity distribution losses are at a common industry level (4.5% in 2020), and have decreased in recent years.

Concerning natural gas pipeline integrity, the company has implemented sound measures such as risk assessments and regular inspections. With regard to climate change, Stedin is committed to achieve 30% reduction in GHG emissions by 2030 relative to 2018 levels.

Governance opinion

Stedin's board chair, Mr. Doede Vierstra (as at August 6, 2020), as well as the rest of the company's board members are independent. Consequently, the established committees in charge of audit, remuneration, and nomination are all fully independent. Stedin discloses its remuneration policy for executives.

Regarding Stedin's governance of sustainability, there is no evidence that the company has established a supervisory board committee in charge of ESG issues. The company's group-wide ethics code covers relevant issues such as corruption, antitrust and conflicts of interest. An anonymous and confidential hotline is available for employees, and whistleblower protection is ensured.

Sustainability impact of products and services portfolio

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

Based on the public information provided by the company, it is not possible to assess the relative proportions of the company's products and services portfolio to the various UN SDGs.

Breaches of international norms and ESG controversies

The company is not facing any serious controversy.

B. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH STEDIN'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Stedin is involved in the electricity grid and gas distribution business in the Netherlands. As a key player in the energy industry, it plays an important role in the decarbonisation of the energy sector and economy in the Netherlands. The company is committed to contributing towards the Dutch national climate goals as well as the Paris Agreement. Its contributions include ensuring that the electricity grid can enable the energy transition and the increase of renewable electricity generation in the network, as well as increasing the sustainability of its own operations, such as in the areas of CO_2 emissions and environmental pollution. The company has set a target to have net zero carbon emissions by 2030.

Rationale for issuance

Stedin first published its Green Finance Framework and issued its first Green Bond in October 2019. This latest update to its Framework shows the company's priority in ensuring that its assets align with the most recent regulatory requirements, namely the EU Taxonomy and the proposed European GB. The Use of Proceeds categories are the same as the categories in 2019 and there is extra information in the updated Framework to show the sustainability qualities of the company's projects within those categories.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under these Green Finance 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 Gas and Electricity 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 category.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Clean Transportation	✓	✓	Contribution to a material objective
Green Buildings	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this Green Finance Framework are broadly consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Finance Instruments is clearly described by the issuer.*

PART II: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP), GREEN LOAN PRINCIPLES (GLP), PROPOSED EUROPEAN GREEN BOND STANDARD (GBS)

1. Use of Proceeds

The proceeds of Stedin Group's Green Finance Instruments will be used to finance and/or refinance, in whole or in part, new or existing green projects ("Eligible Green Projects") from any of the Eligible Green Project Categories as defined below, together forming the "Eligible Green Project Portfolio".

GBP/GLP CATEGORY	ELIGIBILITY CRITERIA	GREEN FINANCE ELIGIBILITY	EU ECONOMIC ACTIVITY[2]
Renewable Energy	**Projects/assets aimed at increasing the share of renewable electricity in the grid:** ▪ Investments, expenditures and/or assets to directly connect renewable electricity production and storage units to the grid (includes power-lines and related infrastructure such as substations) **Projects/assets aimed at facilitating and integrating renewable electricity in the grid, while enhancing grid stability:** ▪ Investments, expenditures and/or assets aimed at integrating and enhancing the distribution capacity for renewable electricity in the grid	Electricity grid investments, expenditures and/or assets built for the sole purpose of connecting renewable electricity sources to the grid (including powerlines and related infrastructure such as substations): 100% of asset value Electricity grid investments, expenditures and/or assets aimed at integrating and enhancing the transmission capacity for renewable energy in the Dutch electricity grid: Apply to asset value the renewable electricity production ratio[3] in the Netherlands	**Transmission and distribution of electricity** **(NACE codes: D35.12, D35.13)**
Energy Efficiency	**Smart Equipment:** Equipment and/or infrastructure to carry information to users for remotely acting on consumption, including: ▪ Smart meters ▪ Energy storage solutions	100% of asset values	**Transmission and distribution of electricity** **(NACE codes: D35.12, D35.13)**
Clean Transportation	**Infrastructure for clean transportation:**	100% of asset values	**Transmission and distribution of electricity** **(NACE codes: D35.12, D35.13)**

[2] Supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, see here.
[3] Cumulative value of dedicated CAPEX and the share of the asset value of the Stedin Group electricity grid that facilitates renewable energy. The latter is calculated by multiplying the share of renewable electricity produced in the Netherlands with the total electricity grid asset value, corrected for dedicated CAPEX. The renewable electricity production ratio is defined as the share of renewable electricity produced in the Netherlands. In 2020, the share of renewable electricity produced in Netherlands corresponded to 26.2%, [see here]. Stedin Group will apply the most recent publicly available annual figure.

	Infrastructure supporting sustainable mobility including: ▪ Electric vehicle charging stations		**Infrastructure enabling low-carbon road transport and public transport** **(NACE codes: F42.11, F42.13, F71.1 and F71.20)**
Green Buildings	**The acquisition or construction of**: ▪ Buildings built before 31 December 2020 either with an EPC label ≥ "A" or belonging to the top 15% of the national building stock expressed as operational Primary Energy Demand ▪ Buildings built after 31 December 2020 with energy performance lower of at least 10% than the threshold set for nearly zero-building (NZEB) requirements **Renovations of existing buildings** and individual measures to improve energy performance and achieve energy savings of at least 30% in comparison to the baseline performance before the building renovation	100% of asset values	**Construction of new buildings** **Renovation of existing buildings** **Acquisition and ownership of buildings** **(NACE codes: F41.1, F41.2, F41, F43, L68)**

Opinion: *ISS ESG considers the Use of Proceeds description provided by Stedin Group's Green Finance Framework as aligned with the GBPs and GLPs. The relevant EU Taxonomy activities are mentioned and their inclusion is aligned with the requirements of the proposed European GBS. (ISS ESG's assessment of the Use of Proceeds descriptions with the EU Taxonomy is presented in Part III).*

2. Process for Project Evaluation and Selection

Stedin Group has established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the description of the eligibility criteria mentioned in the Use of Proceeds section of the Green Finance Framework.

Eligible Green Projects will be selected by a dedicated Green Finance Committee set up within Stedin Group. This committee is formed by members of Treasury, Corporate Responsibility, and other parties to be nominated as subject matter experts from the various sectors of allocated assets.

The Green Finance Committee is responsible for:

- Reviewing the content of Stedin Group's Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis
- Updating non-Stedin Group documents such as Second Party Opinion (SPO) and related documents from external consultants and accountants

- Evaluating and defining the Eligible Green Project Portfolio in line with the Eligibility Criteria as set out in the Framework, validating the purpose of the financing and the environmental objectives they contribute to. Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best efforts basis
- Overseeing the allocation of the proceeds from Green Finance Instruments to the Eligible Green Project Portfolio and the evolution over time, to ensure that the value of the Eligible Green Project Portfolio equals or exceeds the value of issued of Green Finance Instruments
- Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. Stedin Group may rely on external consultants and their data sources, in addition to its own assessment
- Aligning the Framework with applicable requirements from sustainable finance regulation such as the EU Taxonomy regulation (including the EU Environmental Objectives, the Technical Screening Criteria (TSC), the Do No Significant Harm ('DNSH') criteria and Minimum Social Safeguard criteria) and the EU Green Bond Standard, on a best effort basis and as far as required
- Monitoring internal processes to identify mitigants to known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio. Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful
- Ensuring that the environmental and social risks potentially associated with the Eligible Green Project Portfolio are properly mitigated via the due-diligence processes conducted by Stedin Group, and comply with official national and international environmental and social standards and local laws and regulations, on a best effort basis. These laws are monitored and enforced by the local authorities, amongst others as part of obtaining the necessary permits for new projects and infrastructure maintenance. Additional information on the management of environmental and social risks via the policies and standards of Stedin Group is provided below
- Liaising with relevant business finance segments and other stakeholders on the above
- The committee will meet at least on an annual basis.

Sustainability policies and alignment with external standards

Stedin Group's sustainability policies define minimum standards for all its activities, including those financed with the proceeds of Green Finance Instruments issued under this Framework. Below some examples of relevant codes and policies:

- **Social Responsible Procurement Policy (SRP)[4]:** In this Socially Responsible Procurement Policy, Stedin Group describes its sustainability goals, how they are implemented in its procurement procedures, which tools its buyers can use during the procurement procedure, how it monitors and manages its sustainability goals, and what it asks from its suppliers regarding this subject
- **Code of Conduct[5]:** This code sets out the rules in the field of good corporate governance and integrity and describes the role played by the Board of Management, the Supervisory Board and the shareholders in this respect
- **Corporate Governance Code**[6] The Corporate Governance Code states that the organisation and its directors prevent conflicts of interest, corruption and bribery

[4] To be found here.
[5] To be found here.
[6] To be found here.

- **Certification and other relevant standards:** In 2020, Stedin Group demonstrably complied with the following standards and guidelines in the field of safety, quality management, asset management, environmental management and working conditions:
  - ISO 9001
  - ISO 14001
  - ISO 27001
  - ISO 55001
  - NTA 8120
  - VCA
  - Veiligheidsladder trede 4

Next to compliance to these specific standards and guidelines, Stedin Group declares to be compliant to all standards and guidelines set forward within the regulatory framework of the Dutch Government, audited by the ACM. Upon request, all Stedin Group's operational, environmental and safety programmes are available such as official policies on community outreach and consultation, environmental management, waste management (including hazardous waste), health and safety policy commitment and Contractor Safety Programmes.

Opinion: *ISS ESG considers the Process for Project Evaluation and Selection description provided by Stedin Group's Green Finance Framework as aligned with the GBPs and GLPs. The Green Finance Committee involves participation by various departments and well defined responsibilities. Stedin's sustainability policies are clearly laid out and the company's sustainability objectives are also described elsewhere in the Framework. Relevant certifications and standards are also mentioned. These elements all allow the commitment to be aligned with the requirements of the proposed European GBS.*

3. Management of Proceeds

The proceeds of the Green Finance Instruments issued under this Framework will be managed by the Green Finance Committee using a portfolio approach.

Stedin will allocate the proceeds from the Green Finance Instruments to an Eligible Green Project Portfolio that meets the Use of Proceeds eligibility criteria and in accordance with the Evaluation and Selection process.

Stedin will strive, over time, to achieve a level of allocation to the Eligible Green Project Portfolio which matches or exceeds the balance of proceeds from its outstanding Green Finance Instruments. Stedin will strive to maintain a constant buffer of green projects in the portfolio compared to the total amount of green debt issued. Additional projects will be added to the Eligible Green Project Portfolio to the extent required. Stedin Group aims to allocate the Green Finance Instrument proceeds within a timeframe of 24 months after issuance, in accordance with market practice.

The Eligible Green Project Portfolio can include green assets (tangible or intangible) and green capital expenditures. Eligible green assets and capital expenditures shall qualify for refinancing without a specific lookback period, provided that at the time of issuance, they follow the relevant eligibility criteria. Assets will be included in the portfolio at their current IFRS balance sheet value, which will be

updated annually to reflect investment and depreciation under IFRS. Capital expenditures will be included in the portfolio for the amount of the initial expenditure, subject to annual depreciation on a straight-line basis in accordance with the expected useful life of the investment. If a specific project is divested, discontinued or does no longer meet the definition of Eligible Green Projects, it will be removed from the Eligible Green Portfolio.

Pending the allocation to the Eligible Green Project Portfolio, unallocated proceeds will be invested in accordance with Stedin Group's liquidity guidelines, in cash, deposits or money market instruments or any other treasury activity.

Opinion: *ISS ESG finds that Management of Proceeds proposed by Stedin Group's Green Finance Framework is well aligned with the GBPs and GLPs. In particular, several best market practices are followed, such as the 24 month timeframe for the allocation of proceeds, how the unallocated proceeds will be used, and potential treatment of projects which are no longer eligible. The 24 month timeframe also is aligned with the requirements of the proposed European GBS.*

4. Reporting

Stedin Group will make and keep readily available annual reporting on the allocation and impact of the Eligible Green Project Portfolio after a year from the issuance of the Green Finance Instruments, to be renewed annually until full allocation or in case of material change. This report will be publicly available on Stedin Group's Investor Relations website[7].

Stedin Group intends to report on an aggregated basis for all the Stedin Group's Green Finance Instruments outstanding, at the level of the GBP/GLP and EU Economic Activity categories.

Stedin Group intends to align its impact reporting with the ICMA Handbook for 'Harmonized Framework for Impact Reporting', (June 2021).

Allocation Reporting

The allocation report may provide indicators such as:

- The total amount of Stedin Group Green Finance Instruments outstanding
- The amount of proceeds allocated to Eligible Green Categories
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The geographical distribution of the projects
- The proportion of the portfolio that is aligned with the EU Taxonomy Climate Delegated Act

Where feasible, Stedin Group will report on project basis (e.g. through selected case studies).

Impact Reporting

The impact report may provide indicators such as:

[7] https://www.stedinGroup.nl/eng/investor-relations

GBP/GLP CATEGORY	UN SDG	POTENTIAL IMPACT INDICATORS
Renewable Energy		▪ Capacity of renewable energy production connected in the grid (in MW) ▪ Estimated annual CO_2 emissions avoided (in t CO_2eq.)
Energy Efficiency		▪ Smart equipment installed, smart meters (in meters/customers served) ▪ Estimated annual energy savings and related CO2 emissions avoided (in t CO2eq.)
Clean Transportation		▪ Number of EV charging points (#)
Green Buildings		▪ Distribution of EPC labels ▪ For renovations: % reduction in primary energy demand ▪ Estimated annual CO_2 emission reduction (in t CO_2eq.) ▪ Estimated annual energy savings (MWh)

Besides the abovementioned impact indicators, the impact reporting may provide an estimation of adverse environmental and social impacts related to the Eligible Green Project portfolio and how these are managed and mitigated by Stedin Group.

Opinion: *ISS ESG finds that the reporting proposed by Stedin Group's Green Finance Framework is aligned with the GBPs and GLPs. The description includes the website details as well as suggested indicators from the ICMA Handbook for "Harmonized Framework for Impact Reporting", which both follow market best practice. Stedin also suggests the relevant UN SDG's towards which the project categories contribute. The publicly disclosed allocation and impact reporting will include details about the proportion of financing vs refinancing, geographical distribution of projects, as well as project level information (where feasible). These elements allow the reporting commitments to meet the requirements of the proposed European GBS.*

External review

Annual Audit/Limited Assurance on the Allocation Reporting

Stedin Group intends to request on an annual basis, starting one year after issuance and until maturity (or until full allocation), a limited assurance report of the allocation of the Green Finance instrument proceeds to Eligible Green Projects, provided by an external auditor. This assurance report will be available alongside the allocation report, on Stedin Group's investor relations website[8].

Opinion *ISS ESG finds that the External Review proposed by Stedin Group's Green Finance Framework is aligned with the GBPs and GLPs. The limited assurance of the allocation reporting meets the requirements of the proposed European GBS, if the external auditor is registered under the proposed European GBS scheme.*

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green Finance Instruments and using a proprietary methodology, ISS ESG assessed the contribution of Stedin's Green Finance Instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment[9] is displayed on a 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution

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

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Transmission & Distribution projects aimed at increasing share of, and facilitating integration of, renewable electricity in the grid	**Significant Contribution**	
Smart Meters	**Significant Contribution**	
	Limited Contribution	
Energy Storage	**Significant Contribution**	
Electric Vehicle Charging Station	**Significant Contribution**	
	Limited Contribution	
Construction and Renovation of Green Buildings	**Significant Contribution**	
	Limited Contribution	

[9] This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the issuer has aligned with the Technical Screening Criteria of the EU Taxonomy Climate Delegated Act (June 2021).

B. ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Stedin Group's project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act[10] (June 2021), based on information provided by Stedin Group. Where Stedin Group's projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

Stedin's nominated project categories overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

4.9 Transmission and Distribution of Electricity

6.15 Infrastructure enabling Low-Carbon Road Transport and Public Transport

7.1 Construction of new Buildings

7.2. Renovation of existing Buildings

7.7 Acquisition and Ownership of Buildings

Note: In order to avoid repetition, the evaluation of the alignment of Stedin's assets to the Do No Significant Harm Criteria to Adaptation is given at Section B.6. Similarly, the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given at Section B.7. They are applicable to all of the above activities.

[10]https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

B.1 4.9 - Transmission and distribution of electricity

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: (a) the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; (c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;	Stedin is using a pro rata percentage approach, which involves using the share of renewable electricity generation in the Netherland to estimate the proportion of Stedin's grid which can be used for green bonds allocation. Also, Stedin's grid is part of the interconnected EU system. The nominated use of proceeds projects also include electricity infrastructure which supports the operation of electronic vehicle charging stations.	✓

2. The activity is one of the following: (a) construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 gCO2e/kWh measured on a life cycle basis to a substation or network; (b) construction and operation of electronic vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to eligibility under the transport Section of this Annex; (c) installation of transmission and distribution transformers that comply with the Tier 2 requirements set out in Annex I to the Commission Regulation (EU) No 548/2014 and, for medium power transformers with highest voltage for equipment not exceeding 36 kV, with AAA0 level requirements on no-load losses set out in standard EN 50588-1. (d) construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; (e) installation of equipment to increase the controllability and observability of the electricity system and to		

enable the development and integration of renewable energy sources; (f) installation of equipment such as, but not limited to future smart metering systems or those replacing smart metering systems in line with Article 19(6) of Directive (EU) 2019/944 of the European Parliament and of the Council, which meet the requirements of Article 20 of Directive (EU) 2019/944, able to carry information to users for remotely acting on consumption, including customer data hubs; (g) construction/installation of equipment to allow for exchange of specifically renewable electricity between users; (h) interconnectors between transmission systems, provided that one of the systems is eligible.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See B.6	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	Use of raw materials Stedin aims to maximise circularity. It purchases products with as much recycled raw material content as possible, challenges suppliers to deliver products that facilitate maximum recycling after the useful life has expired and work with its waste processors to ensure recycling. Examples include the Fair Meter and circular cables. Stedin has agreements in place with	✓

	service providers for the responsible collection and treatment of residue streams. “One Planet" strategy Recycling is part of Stedin's circular procurement and "One Planet" strategy. Stedin aims at re-using to the extent possible, and recycling is only applicable where life extensions are no longer possible. This is applicable to all materials, such as cables (copper, aluminium, plastic), install meters (plastic) and gas grids (iron). From 2019, Stedin requests suppliers to fill in a raw materials passport in tendering procedures for all its primary assets. This serves to ascertain the materials of which the product consists, how much recycled material it contains and the extent to which it can be recycled after its useful life. With this additional data, Stedin is focused on increasing the degree of circularity of its assets. Stedin analyses the data from the raw materials passports and works with suppliers to increase the circularity of assets. This can be achieved by using more recycled raw materials, for example, or by ensuring a higher recyclable percentage for an asset (high-grade recycling) after its useful life has expired. In 2020, Stedin’s circularity percentage is 34.7%. Its target for 2021 is 38%.	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Various requirements for overground high voltage lines	Stedin does not own or operate any overground high voltage lines.	N/A
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See B.7	✓

B.2 6.15 Infrastructure enabling Low-Carbon Road Transport and Public Transport

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT

1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The infrastructure is dedicated to electric charging points, electricity grid connection upgrades	The projects will only be related to electricity grid connections relating to electric vehicle charging points.	✓
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See B.6	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in 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, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	The EU Water Framework Directive has been adopted in the Netherlands. Dutch regulation makes it mandatory to perform an Environmental Assessment on a project-by-project basis. Stedin has internal policies and procedures in place with rigorous steps to confirm that all projects adhere to existing national and international legislation.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		

At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material defined in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.	Use of raw materials Stedin aims to maximise circularity. It purchases products with as much recycled raw material content as possible, challenges suppliers to deliver products that facilitate maximum recycling after the useful life has expired and work with its waste processors to ensure recycling. Examples include the Fair Meter and circular cables. Stedin has agreements in place with service providers for the responsible collection and treatment of residue streams. One Planet" strategy Recycling is part of Stedin's circular procurement and "One Planet" strategy. Stedin aims at re-using to the extent possible, and recycling is only applicable where life extensions are no longer possible. This is applicable to all materials, such as cables (copper, aluminium, plastic), install meters (plastic) and gas grids (iron). From 2019, Stedin requests suppliers to fill in a raw materials passport in tendering procedures for all its primary assets. This serves to ascertain the materials of which the product consists, how much recycled material it contains and the extent to which it can be recycled after its useful life. With this additional data, Stedin is focused on increasing the degree of circularity of its assets. Stedin analyses the data from the raw materials passports and works with suppliers to increase the circularity of assets. This can be achieved by using more recycled raw materials, for example, or by ensuring a higher recyclable percentage for an asset (high-grade recycling) after its useful life has expired. In 2020, Stedin's circularity percentage is 34.7%. Its target for 2021 is 38%.	✓
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Where appropriate, given the sensitivity of the area affected, in particular in terms of the	The regulations governing noise impact maps and action plans are included in Chapter 11 of the Environmental Management Act[11], the	✓

[11] https://www.asser.nl/upload/eel-webroot/www/documents/national/netherlands/EMA052004.pdf

size of population affected, noise and vibrations from use of infrastructure are mitigated by introducing open trenches, wall barriers, or other measures and comply with Directive 2002/49/EC of the European Parliament and of the Council. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.	Environmental Management Decree and a number of regulations. Title 11.2 Noise maps and action plans is in accordance with the European Environmental Noise Directive (No. 2002/49/EC) on the evaluation and management of environmental noise. Stedin is compliant with all applicable environmental regulations in the Netherlands.	
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6)	See B.7. Stedin is not involved in road infrastructure.	✓

B.3 7.1 Construction of new Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
Constructions of new buildings for which: 1. The Primary Energy Demand (PED), defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built	(1) The Dutch Building Decree[12] requires all buildings built after 1-1-2021 to be Nearly Zero Energy Buildings, with specific NZEB criteria in terms of primary energy use per buildings type (e.g. offices, residential homes). (2) Measuring air-tightness of buildings is part of the energy performance report which is required for obtaining an EPC label (mandatory for new construction) (3) The GWP is taken into account as part of calculating the maximum allowed environmental performance of buildings, specific criteria apply for office buildings.	✓

[12] https://www.bouwbesluitonline.nl/docs/wet/bb2012/hfd5/afd5-1/art5-2)

Energy Performance Certificate (EPC). 2. For buildings larger than 5000 m2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 3. For buildings larger than 5000 m2, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See B.6	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid	Stedin's buildings exclude residential buildings. Specific details have been provided by the manufacturers of the water appliances about their products, which confirm that they are within the criteria limits. The EU Water Framework Directive has been adopted in the Netherlands.	✓

down in Appendix E (of the Delegated Act): a. wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b. showers have a maximum water flow of 8 litres/min; c. WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; d. urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B (of the Delegated Act).	In the Netherlands, under the Spatial Planning Act (Wet ruimtelijke ordening, Wro), sites are designated for specific activities. To this end, all interests are carefully considered, this Act requires an assessment on the impact on water safety and water management Dutch regulation makes it mandatory to perform an Environmental Assessment on a project-by-project basis. Stedin has internal policies and procedures in place with rigorous steps to confirm that all projects adhere to existing national and international legislation.	
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste	Dutch Building Decree[13] requires the proper separation of construction waste. Construction projects are assessed for re-use of building material and equipment. For example, the company has purchased furniture with the cradle2Cradle[14] certificate. Stedin aims to maximise circularity. It purchases products with as much recycled raw material content as possible, challenges suppliers to deliver products that facilitate maximum recycling after the useful life has expired and work with its waste processors to ensure recycling. Examples include the Fair Meter and circular cables. Stedin has agreements in place with service providers for the	✓

[13] https://wetten.overheid.nl/BWBR0030461/2021-01-01#Hoofdstuk8_Afdeling8.2
[14] https://www.c2ccertified.org/

hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887289 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantleable to enable reuse and recycling.	responsible collection and treatment of residue streams. Recycling is part of Stedin's circular procurement and "One Planet" strategy. Stedin aims at re-using to the extent possible, and recycling is only applicable where life extensions are no longer possible. This is applicable to all materials, such as cables (copper, aluminium, plastic), install meters (plastic) and gas grids (iron). From 2019, Stedin requests suppliers to fill in a raw materials passport in tendering procedures for all its primary assets. This serves to ascertain the materials of which the product consists, how much recycled material it contains and the extent to which it can be recycled after its useful life. With this additional data, Stedin is focused on increasing the degree of circularity of its assets. Stedin analyses the data from the raw materials passports and works with suppliers to increase the circularity of assets. This can be achieved by using more recycled raw materials, for example, or by ensuring a higher recyclable percentage for an asset (high-grade recycling) after its useful life has expired. In 2020, Stedin's circularity percentage is 34.7%. Its target for 2021 is 38%.	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Building components and materials used in the construction comply with the criteria set out in Appendix C (of the Delegated Act). Building components and materials used in the construction that may come	Dutch Building Decree[15] includes limits to the concentration of formaldehyde, which align with the relevant EU regulation. Testing for contaminants and procedures for handling any contaminants are strictly regulated	✓

[15] https://rijksoverheid.bouwbesluit.com/Inhoud/docs/wet/bb2012_nvt/artikelsgewijs/hfd7/afd7-3/art7-19

into contact with occupiers emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516291 or ISO 16000-3:2011292 or other equivalent standardised test conditions and determination methods. Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400294. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.	by the Dutch Regulation, which align with the relevant EU regulation. There are strict Dutch regulations for any work related to contaminated land, which Stedin must comply with[16].	
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (6) Also The new construction is not built on one of the following: (a) arable land and crop land with a moderate to high level of soil fertility and below	See B.7 Avoiding key biodiversity areas is included in the Dutch legislation (Spatial Planning Act, Wet ruimtelijke ordening, Wro). Under this Act, sites are designated for specific activities. Certain habitat types and species are protected within specific areas called 'Flora-Fauna-Habitat areas' or 'Natura 2000 sites' (based on the EU Conservation	✓

[16] https://business.gov.nl/regulation/soil-contamination-remediation-survey/

ground biodiversity as referred to the EU LUCAS survey; (b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List; (c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest.	of Natural Habitats and Wild Fauna and Flora Directive[17]). In addition, Stedin confirms that green bond proceeds will only be allocated towards buildings which meet this requirement.	

B.4 7.2 Renovation of existing Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
The building renovation complies with the applicable requirements for major renovations (As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.) Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%	The bond proceeds will only be allocated to renovations which deliver 30% or greater energy reductions and which result in energy level A.	✓

[17] https://wetten.overheid.nl/BWBR0023798/2014-07-01#Hoofdstuk3

2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See B.6	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E of the Delegated Act.	Specific details have been provided by the manufacturers of the water appliances about their products which will be used in the buildings, which confirm that they are within the criteria limits.	✓
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol. Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and	Dutch Building Decree[18] requires the proper separation of construction waste. Construction projects are in assessed for re-use of building material and equipment. For example, the company has purchased furniture with the cradle2Cradle[19] certificate. Stedin aims to maximise circularity. It purchases products with as much recycled raw material content as possible, challenges suppliers to deliver products that facilitate maximum recycling after the useful life has expired and work with its waste processors to ensure recycling. Examples include the Fair Meter and circular cables. Stedin has agreements in place with service providers for the responsible collection and treatment of residue streams. Recycling is part of Stedin's circular procurement and "One Planet" strategy. Stedin aims at re-using to the extent possible, and recycling is only applicable where life extensions are no longer possible. This is applicable to all materials, such as	✓

[18] https://wetten.overheid.nl/BWBR0030461/2021-01-01#Hoofdstuk8_Afdeling8.2
[19] https://www.c2ccertified.org/

Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste. Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887302 or other standards for assessing the disassemblability or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantleable to enable reuse and recycling.	cables (copper, aluminium, plastic), install meters (plastic) and gas grids (iron). From 2019, Stedin requests suppliers to fill in a raw materials passport in tendering procedures for all its primary assets. This serves to ascertain the materials of which the product consists, how much recycled material it contains and the extent to which it can be recycled after its useful life. With this additional data, Stedin is focused on increasing the degree of circularity of its assets. Stedin analyses the data from the raw materials passports and works with suppliers to increase the circularity of assets. This can be achieved by using more recycled raw materials, for example, or by ensuring a higher recyclable percentage for an asset (high-grade recycling) after its useful life has expired. In 2020, Stedin's circularity percentage is 34.7%. Its target for 2021 is 38%.	
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
Building components and materials used in the construction complies with the criteria set out in Appendix C (of the Delegated Act). Building components and materials used in the building renovation that may come into contact with occupiers emit less than 0,06 mg of formaldehyde per m^3 of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001	Dutch Building Decree[20] includes limits to the concentration of formaldehyde, which align with the relevant EU regulation. Testing for contaminants and procedures for handling any contaminants are strictly regulated by the Dutch Regulation, which align with the relevant EU regulation. Stedin must also comply with relevant noise, dust and other pollution regulatory limits during renovation works.	✓

[20] https://rijksoverheid.bouwbesluit.com/Inhoud/docs/wet/bb2012_nvt/artikelsgewijs/hfd7/afd7-3/art7-19

mg of other categories1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011304 or other equivalent standardised test conditions and determination methods. Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.		
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A

B.5 7.7 Acquisition and Ownership of Buildings

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – *TECHNICAL SCREENING CRITERIA*		
1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.	Stedin commits to using this Criteria in their project eligibility selection criteria when adding projects to the Eligible Green Bond Portfolio	✓

2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition. 3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.		
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		
GENERIC CRITERIA FOR (2)	See B.6	✓
3. WATER – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A
4. CIRCULAR ECONOMY – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A
5. POLLUTION – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A
6. ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
N/A	N/A	N/A

B.6 Generic Criteria for DNSH to Climate Change Adaptation

EU TAXONOMY TECHNICAL SCREENING CRITERIA	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
2. CLIMATE CHANGE ADAPATION – *DO NO SIGNIFICANT HARM CRITERIA*		

GENERIC CRITERIA FOR DNSH TO CLIMATE CHANGE ADAPTATION The physical climate risks that are material to the activity have been identified from those listed in the table in Section II (of the Delegated Act) by performing a robust climate risk and vulnerability assessment with the following steps: (a) screening of the activity to identify which physical climate risks from the list in Section II (of the Delegated Act) may affect the performance of the economic activity during its expected lifetime; (b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II (of the Delegated Act), a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; (c) an assessment of adaptation solutions that can reduce the identified physical climate risk. The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that: (a) for activities with an expected lifespan of less than	Stedin's projects and activities all comply with the Dutch Environmental Management Act, which sets out an integrated approach to environmental management in the Netherlands. Under the provisions of the Act, Stedin must plan both for the environmental impacts caused by its projects and the environmental risks that may affect them. Given the vulnerability of the Netherlands to rising sea levels and increased flooding risks, planning for and mitigating such risks is particularly important for Stedin. Stedin uses scenarios developed for each of its service areas to determine potential future impacts and consider necessary actions to prepare for and mitigate such risks.	✓

10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale; (b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments. For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green		

infrastructure to the extent possible. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.		

B.7 Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems

EU TAXONOMY TECHNICAL SCREENING CRITERIA	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
6. PROTECTION AND RESTORATION OF BIODIVERSITY AND ECOSYSTEMS – *DO NO SIGNIFICANT HARM CRITERIA*		
An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.	Stedin has strict policies to ensure that it conducts the necessary EIAs as required under the Dutch regulatory requirements related to the EU Directive on EIAs. The company's policies ensure it attains the necessary planning permits for any project.	✓

Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation[21]. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.	Stedin's Code of Conduct is based on the OECD guidelines[22]. In addition, Stedin Group monitors potential sustainability risks in the supply chain. Through its One Planet strategy, Stedin ensures that procurement from its global supply chains implicitly adheres to the OECD guidelines for MNEs. Stedin Group prepared a Potential Risk Analysis in 2019 on the basis of MVO Nederland's 'CSR Risk Checker', which itself is based, on the OECD guidelines. The OECD Guidelines also incorporate the UN Guiding Principles. The government of the Netherlands is currently developing the National Action Plan on Business and Human Rights[23], which is based on the 3 pillars of the UN Guiding Principles on Business and Human Rights. Otherwise, Stedin's Code of Conduct or other policies do not yet directly reference the UN Guiding Principles. Stedin's Code of Conduct is also based on the International Labour Organization (ILO) labour standards and working conditions[24].	✓

[21] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852
[22] 2020 Annual Report
[23] https://www.government.nl/topics/responsible-business-conduct-rbc/national-action-plan-on-business-and-human-rights
[24] 2020 Annual Report

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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: Methodology

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Stedin Group's Green Finance Instruments contribute to related SDGs.

ANNEX 2: ISS ESG Corporate Rating Methodology

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

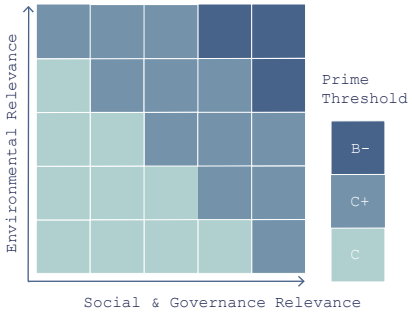
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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).

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 3: Quality management processes

SCOPE

Stedin Group commissioned ISS ESG to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the Green Bond Principles (June 2021), Green Loan Principles (February 2021), EU Taxonomy Climate Delegated Act (June 2021), proposed European Green Bond Standard (July 2021) and to assess the sustainability credentials of its Green Finance Instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (June 2021)
- LMA Green Loan Principles (February 2021)
- EU Taxonomy Climate Delegated Act (June 2021)
- Proposed European Green Bond Standard (July 2021)

ISSUER'S RESPONSIBILITY

Stedin Group's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset 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.

ISS ESG has conducted this independent Second Party Opinion of the Green Finance Instruments to be issued by Stedin Group based on ISS ESG methodology and in line with the Green Bond Principles (June 2021), Green Loan Principles (February 2021), EU Taxonomy Climate Delegated Act (June 2021), proposed European Green Bond Standard (July 2021).

The engagement with Stedin Group took place in August – September 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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