

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Asset Pool

Alliander N.V.
02 June 2020

CONTENTS

| | |
|--|----|
| Overall Evaluation of the Green Bond | 3 |
| ISS ESG ASSESSMENT SUMMARY | 3 |
| CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs..... | 4 |
| ISS ESG SPO ASSESSMENT..... | 5 |
| PART I: GREEN BOND PRINCIPLES..... | 5 |
| PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL..... | 10 |
| Integration and enhancement of the transmission capacity for renewable energy (including connections to EV charging station) | 10 |
| PART III: ASSESSMENT OF ALLIANDER N.V.'S ESG PERFORMANCE | 12 |
| ANNEX 1: ISS ESG Corporate Rating..... | 14 |
| ANNEX 2: Methodology | 19 |
| About ISS ESG SPO | 20 |

Overall Evaluation of the Green Bond

Alliander N.V. (Alliander) commissioned ISS ESG to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the Bond:

1. Alliander's Green Finance Framework – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBPs) and the Green Loan Principles (GLPs).
2. The asset pool – whether the projects aligned with ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).
3. Alliander's sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ¹ |
|---|---|---|
| Part 1: Performance against GBPs and GLPs | 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 ICMA GBPs and the LMA GLPs. | Positive |
| Part 2: Sustainability quality of the asset pool | The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset category: integration and enhancement of the transmission capacity for renewable energy (including connections to EV charging station). All assets of the asset pool are located in a highly regulated and developed country. Legislative frameworks in this country set minimum standards, which reduce environmental and social risks. | Positive |
| Part 3: Issuer sustainability performance | The issuer itself shows a good sustainability performance and has been given a rating of B, which classifies it as 'Prime' by the ISS ESG Corporate Rating's methodology. It is rated 3 rd out of 49 companies within its sector as of 02.06.2020. This equates to a high relative performance, with a Decile Rank ² of 1. | Status: Prime Rating: B Decile Rank: 1 |

¹ The ISS ESG's present evaluation will remain valid until any modification of the Green Finance Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 24.04.2020). The controversy check of the underlying assets has been conducted on the 27.05.2020.

² Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.



CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs

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

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



Each of the bond’s 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 |
|---|---------------------------------|---|
| Integration and enhancement of the transmission capacity for renewable energy (including connections to EV charging station) | Significant Contribution |   |

ISS ESG SPO ASSESSMENT

PART I: GREEN BOND PRINCIPLES

1. Use of Proceeds

The net proceeds of Green Finance Instruments will be exclusively used to finance and/or refinance in whole or in part eligible assets (“Eligible Green Assets”) in the following categories, together forming the “Eligible Green Asset Portfolio”: 1) Renewable Energy; 2) Energy Efficiency (Smart Technologies, Heating Networks); 3) Green buildings.

Overview of the Eligibility Criteria:

| GREEN-ELIGIBLE ASSET CATEGORY | DESCRIPTION ELIGIBLE ASSETS | ELIGIBILITY TO GREEN FINANCE | CONTRIBUTION TO THE EU ENVIRONMENTAL OBJECTIVES ³ | SHARE OF THE ASSET POOL ⁴ |
|-------------------------------|---|--|--|--------------------------------------|
| Renewable Energy | Assets aimed at integrating and enhancing the transmission capacity for renewable energy in the Dutch electricity grid | Apply renewable power generation capacity ratio to the full electricity grid asset value ⁵ | EU Environmental Objective 1: Climate Change Mitigation (Article 6) Substantial contribution: (1.a) Generating, storing or using renewable energy or climate-neutral energy (including carbon-neutral energy), including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid | 100% |
| Energy Efficiency | <ul style="list-style-type: none"> • Smart Technology <ul style="list-style-type: none"> ▪ Smart meters recording customer’s energy consumption for demand management ▪ Sensor and technology deployment in mid/high voltage grid ▪ Wireless networks ▪ Fibre optic cable and network • Heating networks | 100% | EU Environmental Objective 1: Climate Change Mitigation (Article 6) Substantial contribution: (1.b) Improving energy efficiency (1.g) Establishing energy infrastructure required for enabling decarbonisation of energy systems; | 0% |

³ Proposal for a regulation of the European Parliament and of the council on the establishment of a framework to facilitate sustainable investment, COM/2018/353 final, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018PC0353>. ISS ESG did not review the mapping between the EU Taxonomy and the eligible assets of Alliander.

⁴ This refers to the envisaged Alliander green bond transaction to be issued upon the publication of this Second Party Opinion as of 02.06.2020. The overall Alliander Green Eligible Asset Portfolio also includes Eligible Green Assets in the Smart Technologies and Green Buildings Eligible Categories.

⁵ The renewable power generation capacity ratio is defined as the renewables installed capacity versus all sources electricity capacity in the Dutch transmission grid. In 2019, the renewable power generation ratio in the Netherlands corresponds to 19.2% (Source: <https://www.klimaataakkoord.nl/actueel/nieuws/2019/12/30/duurzame-energie-groeit-13-procent-in-2019>). Alliander currently takes a conservative approach to define the electricity grid eligible amount, but it might include a higher percentage of the asset value of the grid, in the future, if the EU Taxonomy regulation recommends it.

| | | | | |
|------------------------|--|------|---|-----------|
| | <ul style="list-style-type: none"> Local district heating networks distributing heat from local heat sources to customers | | | |
| Green Buildings | <ul style="list-style-type: none"> New refurbished buildings which meet any of the following criteria: <ul style="list-style-type: none"> BREEAM-NL certificate “Very Good” or above; or equivalent level of environmental certification EPC-label ≥ “A++” Energy efficiency projects in buildings which result in energy savings of at least 20% | 100% | <p>EU Environmental Objective 1: Climate Change Mitigation (Article 6)</p> <p>Substantial contribution: (1.b) Improving energy efficiency</p> | 0% |

Opinion: ISS ESG considers the Use of Proceeds description provided by Alliander’s Green Finance Framework as aligned with the Green Bond Principles (GBPs) and the Green Loan Principles (GLPs), and environmental benefits are described. Alliander contributes towards the energy transition by giving all customers equal access to renewable energy. This issuance aims to support this goal. Additionally, Alliander ties the selected green-eligible asset categories to the EU environmental objectives, reflecting best market practice. However, ISS ESG did not review the mapping between the EU Taxonomy and Alliander’s eligible assets. Lastly, ISS ESG finds the approach used by Alliander in selecting the eligible portion of the electricity grid as strong and in line with best market practice.

2. Process for Project Evaluation and Selection

Alliander has established the following decision-making process to determine the eligibility of nominating assets, assessing and documenting the eligibility of proposed nominated assets.

The selection of the assets is carried out by Alliander’s Green Finance Working Group, composed of members of the CSR, Finance, Treasury, Procurement departments and in cooperation with relevant business units. Eligible Green Asset selection and evaluation is based on:

- Expected eligible amounts;
- Eligibility Criteria described in Alliander’s Green Finance Framework;
- Clear contribution of the selected assets toward reducing CO₂ emissions or facilitating the reduction thereof, as well as circularity and supply chain transparency, if applicable.

In addition to the Eligibility Criteria above, Alliander conducts a supplementary assessment of the Eligible Green Assets based on any additional environmental standards or certifications available (e.g. ISO certifications, etc.).

Lastly, Alliander’s Sustainability Guidelines and Policies define minimum standards for the business processes, including those financed with the proceeds of Green Finance Instruments issued under this Framework. Alliander also applies risk management measures in its capital allocation decisions which are supported by company-wide planning, reporting and controlling systems. Example of Alliander’s

relevant Policies are the Sustainable Procurement Policy⁶ and the Corporate Social Responsibility Policy⁷. Alliander's strong evaluation and selection process, corporate sustainability and risk management framework, helps to mitigate potential environmental and social risks associated with the Eligible Green Assets, in accordance with the recommendation of the EU Taxonomy in relation to 'Do No Significant Harm Assessment'. In the unlikely case of specific project-related risks, Alliander intends to transparently inform investors within its Green Finance Report.

The Alliander Green Finance Working Group will also be responsible to:

- Monitor the Eligible Green Project Assets;
- Exclude assets that no longer comply with the Eligibility Criteria or have been disposed of and replace them, on a best efforts basis;
- As Green Finance Instruments mature, remove the oldest projects from the Eligible Green Asset Portfolio for an equivalent amount, to ensure that Green Finance Instruments continue to fund new assets;
- Validate annual reporting for investors;
- Maintain the Green Finance Framework up to date in order to reflect any changes with regards to the evolution of Alliander's sustainability strategy and targets and to be in-line with market best practices and latest standards.

Opinion: ISS ESG considers the description of the Process for Project Evaluation and Selection provided by Alliander's Green Finance Framework as aligned with the GBPs and the GLPs. Eligibility criteria are clearly defined and publicly available in the framework. Alliander's Green Finance Working Group includes different stakeholders with relevant expertise, reflecting best market practices.

3. Management of Proceeds

Alliander intends to allocate the net proceeds from its Green Finance Instruments to an Eligible Green Asset Portfolio, selected in accordance with the Eligibility Criteria and project evaluation and selection process presented above. This portfolio consists of new and/or existing assets.

Over time, Alliander will strive to maintain a level of allocation for the Eligible Green Asset Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Finance Instruments.

Additional Eligible Green Assets will be added to the Issuer's Eligible Green Asset Portfolio to the extent required, in accordance with the Eligibility Criteria.

Activated eligible green assets shall qualify for refinancing without a specific look-back period⁸, provided that at the time of issuance they follow the relevant Eligibility Criteria. In case Alliander would select Eligible green capital expenditures, they shall qualify for refinancing with a maximum three-year look-back period before the issuance year of the Green Finance Instrument.

⁶ <https://www.alliander.com/en/organisation/procurement/>

⁷ <https://www.alliander.com/en/corporate-social-responsibility/>

⁸ In alignment with the recommendation of the EU Green Bond Standards Usability Guide, published in March 2020 (source: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-green-bond-standard-usability-guide_en.pdf.)

Alliander intends to fully allocate the proceeds within 24 months after the issuance date of the Green Financing instruments.

Pending the allocation or reallocation, as the case may be, of the net proceeds to Eligible Green Assets, Alliander will invest the balance of the net proceeds, at its own discretion, into bank deposits, investment funds, money market funds or liquid marketable instruments, until the allocation to new Eligible Green Assets.

If for any reason, any assets were no longer eligible, Alliander will use its best efforts to substitute such asset, as soon as practical once an appropriate eligible substitution option has been identified.

Opinion: ISS ESG finds that Management of Proceeds proposed by Alliander is aligned with the GBPs and the GLPs. The issuer has established a clear process in case of divestment and will replace projects with other Eligible Assets. Additionally, the issuer is committed to have a maximum of three-year look-back period for refinancing of green capital expenditures⁹, reflecting best market practices.

4. Reporting

Alliander will report on the allocation of net proceeds and associated environmental benefits annually until the proceeds of each Green Finance Instruments have been fully allocated, and as necessary in the event of material changes or in case of substitution of Eligible Green Assets. This report will be made available within the Investor Relations' section on Alliander's website¹⁰.

a. Allocation Reporting

- The aggregated amount of allocation of the net proceeds to the Eligible Green Assets, at category and sub-category level¹¹, with a description or selected case studies if feasible;
- The balance of any unallocated proceeds invested in bank deposits, investment funds, money market funds, or liquid marketable instruments;
- The proportion of net proceeds used for financing versus refinancing;
- Where relevant, the breakdown per type of Eligible Green Assets (e.g. asset values, capital expenditures).

b. Impact Reporting

Alliander intends to report on the environmental impacts of the Eligible Green Assets funded with the Green Finance Instruments proceeds through a dedicated impact report¹². Alliander intends to align, on a best effort basis, the reporting with the portfolio approach described in "Handbook - Harmonized Framework for Impact Reporting (June 2019)¹³".

⁹ In case capital expenditures are selected within the Eligible Green Asset Portfolio. For activated eligible green assets, Alliander will use asset values as set out in the Green Finance Framework as of May 2020.

¹⁰ <https://www.alliander.com/en/investors/>

¹¹ Alliander will report at category level, Eligible Categories being 1) Renewable Energy, 2) Energy Efficiency and 3) Green Buildings. Regarding Energy Efficiency, Alliander will distinguish between 2.a) Smart Technologies and 2.b) Heating Networks.

¹² Impact Reporting may be supplemented by qualitative and/or case-study reports on outcomes and impacts of the Eligible Green Assets funded. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency.

¹³ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

The impact reporting will provide:

- A brief description of the Eligible Green Assets;
- Where feasible, metrics regarding Eligible Green Assets' environmental impacts, as described below:

| ICMA/ LMA ELIGIBLE CATEGORY | POTENTIAL IMPACT REPORTING INDICATORS |
|-----------------------------|---|
| Renewable Energy | <ul style="list-style-type: none"> • Capacity of renewable energy production connected in the grid (in MW) • Estimated avoided CO2 emissions (in tCO2e per year) |
| Energy Efficiency | <p>Smart technology:</p> <ul style="list-style-type: none"> • Total number of smart meters installed at customers • Estimated avoided CO2 emissions (in tCO2e per year) • Energy consumption savings <p>Heating networks:</p> <ul style="list-style-type: none"> • Total annual supply of district heating (in GJ) • Avoided CO2 emissions (in tCO2e per year) |
| Green Buildings | <ul style="list-style-type: none"> • Average primary energy consumption savings (in MJ/m2) compared to the Dutch average • Avoided CO2 emissions (in tCO2e per year) • BREEAM-NL certification or equivalent (if applicable) • EPC label (if applicable) |

Opinion: ISS ESG finds that the reporting proposed by Alliander is in line with the GBPs and the GLPs. Additionally, Alliander's commitment to annually issue a transparent and complete impact report, where environmental impact indicators have clearly been established, reflects best market practices.

External review

Second Party Opinion

ISS ESG will review the portfolio of Eligible Green Assets, as well as the alignment of Alliander's Green Finance Framework with ICMA's Green Bond Principles and the LMA's Green Loan Principles.

Annual Audit/Limited Assurance on the Allocation Reporting

Alliander intends to obtain a limited assurance report by its auditor on the allocation of the Green Finance Instrument's proceeds. Such report will be incorporated within the Alliander Green Bond Report.

PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

Integration and enhancement of the transmission capacity for renewable energy (including connections to EV charging station)

As a Use of Proceeds category, integration and enhancement of the transmission capacity for renewable energy (including connections to EV charging station) has a significant contribution to the SDG 7 'Affordable and clean energy' and SDG 13 'Climate action'.

The table below presents the findings of an ISS ESG assessment of the assets (re-)financed against KPIs.

ASSESSMENT AGAINST ISS KPI

Site selection

- ✓ 100% of assets comply with the latest national legislation concerning flora and fauna preservation, minimizing environmental and social impacts during infrastructural projects. However, no asset specific information is available on location in key biodiversity areas.

Community dialogue

- ✓ 100% of assets feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation scheme).

Environmental aspects of construction

- ✓ 100% of transmission assets fulfil high environmental standards at construction phase (e.g. noise mitigation, minimization of environmental impact during construction work, research and mitigation regarding soil warming).
- ✓ For 100% of cables, low-impact methods are applied during cable-laying (e.g. consideration of breeding periods and affected fauna and flora).

Standards for decommissioning and recycling

- ✓ For 100% of assets, environmental impacts at end-of-life will be minimised (e.g. recycling and reuse parts, sound treatment of waste).

Safety of transmission networks and equipment

- ✓ For 100% of assets, operational safety is ensured (e.g. control centre, electrical flow and substation monitoring).

Energy efficiency

- ✓ 100% of assets have high standards regarding energy efficiency in transmission networks (e.g. state-of-the-art technology).

Standards for supply chain management

- ✓ 100% of assets have good binding labour and health and safety standards within the supply chain.
- ✓ 100% of assets have a good and binding environmental standards within the supply chain.

Working conditions during construction and operation

- ✓ 100% of assets provide for high labour and health and safety standards for construction and maintenance work according to Dutch legislation (e.g. ILO core conventions).

Controversy assessment

A controversy assessment was conducted at issuer-level and revealed one severe controversy. In 2016, there was a fatal accident involving an employee during the maintenance of a high-voltage substation. Alliander is facing this situation by applying the grievance mechanisms and packages the company has in place. Despite the industry being prone to safety risks, Alliander has achieved a comparatively low and decreasing level of its employees' accident rate.

PART III: ASSESSMENT OF ALLIANDER N.V.'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime¹⁴' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

| COMPANY | STATUS | Rating | DECILE RANK |
|-----------------------|--------------|----------|-------------|
| ALLIANDER N.V. | PRIME | B | 1 |

This means that the company performed very well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG.

As of 02.06.2020, this rating places Alliander 3rd out of 49 companies rated by ISS ESG in the Utilities/ Network Operators sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Facilitation of the energy transition and resource efficiency
- Environmentally safe operation of plants and infrastructure
- Accessibility and reliability of energy and water supply
- Business ethics and government relations
- Worker safety and accident prevention

In five of the key issues, Alliander rates above the average for the sector. A very significant outperformance was achieved in "Environmentally safe operation of plants and infrastructure" and "Accessibility and reliability of energy and water supply".

The company has no significant controversial business practices.

Details on the rating of the issuer can be found in Annex 1.

¹⁴ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For Alliander's first issuance following the SPO release date.
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.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing disclosure@issgovernance.com.

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2020 | Institutional Shareholder Services and/or its affiliates

ANNEX 1: ISS ESG Corporate Rating

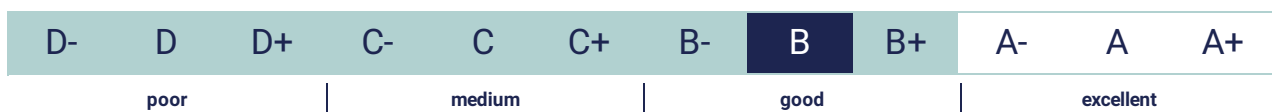
The following pages contain extracts from Alliander's 2020 ISS ESG Corporate Rating.

ESG Corporate Rating

Alliander N.V.

| | | | | |
|-----------------|-----------------------------|------------------------|--------------|---|
| Industry | Utilities/Network Operators | Status | Prime | <small>RATED BY</small> ISS ESG |
| Country | Netherlands | Rating | B | |
| ISIN | XS0854759080 | Prime Threshold | C+ | |
| | | Decile Rank | 1 | |

Absolute Rating



The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively

Decile Rank



Low relative performance

High relative performance

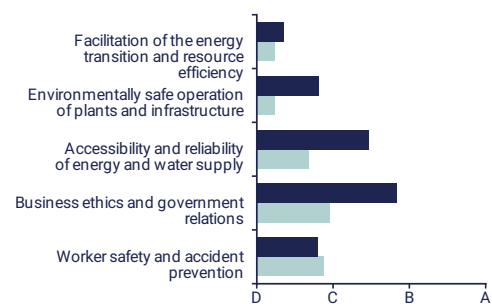
Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

Industry Leaders

| Company name (in alphabetical order) | Country | Grade |
|---|---------|-------|
| Alliander N.V. | NL | B |
| Red Eléctrica Corp. S.A. | ES | B+ |
| Terna - Rete Elettrica Nazionale Società per Azioni | IT | B+ |

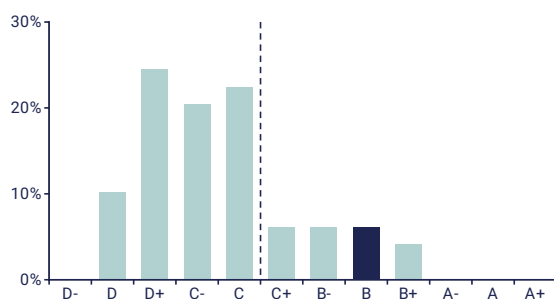
Legend: Industry Company --- Prime

Key Issue Performance

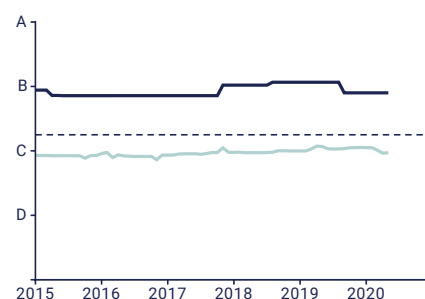


Distribution of Ratings

49 companies in the industry



Rating History



Alliander N.V.

Analyst Opinion

Sustainability Opportunities

The core activity of Alliander and its operating companies is the management of electricity and gas networks in the Netherlands. As part of its electricity business, the company is engaged in programmes to facilitate the integration of renewable energies into the grid and aims to equip all customers with smart meters by 2020. All in all, however, the operation of gas and electricity networks, and hence Alliander's business activities, do not make a significant contribution to global sustainable development.

Sustainability Risks

For an electricity and gas network operator, the main social issues include ensuring a reliable energy supply and system stability, and health and safety of employees and contractors. The company has taken adequate measures to ensure the reliability of the electricity network, which is also illustrated by a comparatively low average electricity outage duration (20.9 minutes in 2017). Concerning health and safety, the industry is prone to safety risks, but some relevant issues are well managed by Alliander and the company has achieved a comparatively low and decreasing level of its employees' accident rate. However, the company has experienced one employee fatality in 2016. Moreover, it does not clearly demonstrate how it integrates contractors into its health and safety management system. On the environmental side, Alliander should address network losses and gas leakages, and take mitigation measures with regard to possible biodiversity impacts of grid operations. The company adequately manages all of these issues. The company's group-wide ethics code covers relevant issues such as corruption, antitrust and conflicts of interests. Comprehensive compliance structures have been set up.

Governance Opinion

All of Alliander's shares are directly or indirectly held by Dutch provinces and municipalities (as at June 2, 2018). Alliander's board structure seems to allow for effective supervision of management as all of the members of the board of directors, including the chairwoman, Ms Jorritsma-Lebbink (as at August 19, 2019), are considered independent. Further, fully independent committees have been set up to manage audit, remuneration and nomination issues. Alliander discloses its remuneration policy for executives, including long-term components, which could incentivise sustainable value creation.

Regarding the governance of sustainability, no sustainability committee seems to be in place. The long-term variable remuneration for executives is based on targets with regard to the frequency of accidents, the electricity outage duration and socially responsible procurement, with a weight of 25% for each aspect. The company's group-wide ethics code covers relevant issues such as corruption, antitrust and conflicts of interests. Comprehensive compliance structures have been set up.

Alliander N.V.

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.

Controversial Business Practices - 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.

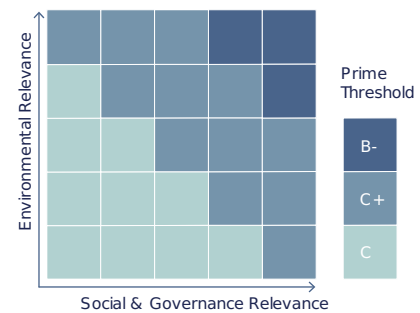
Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Alliander N.V.

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.

Major Shareholders & Ownership Summary - Overview of the company's major shareholders at the time of generation of this report. All data as well as the categorisation system for the investor types is based on information from S&P Capital IQ.

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.

ANNEX 2: Methodology

ISS ESG Green Bond KPIs

The ISS ESG Green Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Alliander’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” represented by a red circle, either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs. ISS ESG requires a minimum of 50% of the asset pool to positively qualify against the KPIs, represented by a green tick.

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

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 Alliander’s Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

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/>

For Information about SPO services, and this Green Bond, contact:

Federico Pezzolato

Federico.Pezzolato@isscorporatesolutions.com

SPO@isscorporatesolutions.com

+44.20.3192.5760