

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Financing Asset Pool

TenneT Holding B.V.
29 March 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green Financing Instruments
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association (ICMA) Green Bond Principles (GBP), updated as of June 2021• Loan Market Association (LMA) Green Loan Principles (GLP) updated as of February 2021• The EU Taxonomy Climate Delegated Act, June 2021
Scope of verification	<ul style="list-style-type: none">• TenneT's Green Financing Framework (March 2022 version)• TenneT's Asset Pool (March 2022 version)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as TenneT's Green Financing Framework does not change significantly.

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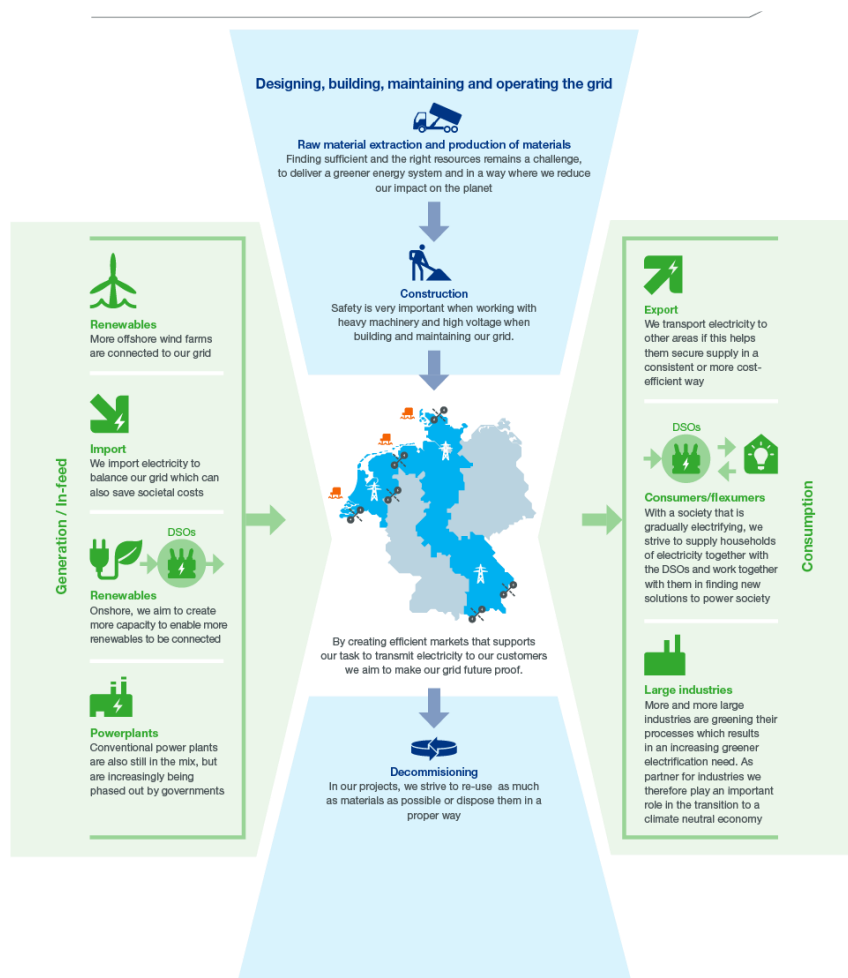
Scope of work

TenneT Holding B.V. (“the Issuer”, or “TenneT”) commissioned ISS ESG to assist with its Green Financing Instruments by assessing three core elements to determine the sustainability quality of such instruments:

1. Green Financing Instruments link to TenneT’s sustainability strategy – drawing on TenneT’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. TenneT’s Green Financing Framework (March 2022 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and Loan Market Association (LMA) Green Loan Principles (GLP).
3. The Green Asset Pool – whether the nominated project categories 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 and Minimum Social Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021).

TenneT BUSINESS OVERVIEW

TenneT is engaged in the operation of electricity transmission systems in Germany and the Netherlands. As a transmission network operator, the company has an important role in the transition to a more sustainable energy system by providing the infrastructure for connecting renewable energies to the network and for transporting electricity based on renewable sources over long distances.



ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Green Financing Instruments link to issuer's sustainability strategy	<p>According to the ISS ESG Corporate Rating updated on 15.02.2022, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Gas and Electricity Network Operators industry. The issuer is rated 5th out of 58 companies within its industry.</p> <p>The Use of Proceeds financed through this Green Financing Instruments are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing green bonds is clearly described by the issuer.</p>	Consistent
Part 2: Alignment with GBP and GLP	<p>The issuer has defined formal parameters for its Green Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's Green Bond Principles (June 2021) and LMA's Green Loan Principles (February 2021).</p>	Aligned
Part 3: Sustainability quality of the Asset Pool	<p>The Green Financing Instruments will (re-)finance eligible assets in at least one of the following categories: i) Transmission infrastructure or equipment in an electricity system in a country that transports at least 50% of renewable electricity, ii) Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the transmission of renewable electricity generation and/or iii) Construction and operation of interconnectors between transmission systems.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 7 'Affordable and clean energy' and 13 'Climate action'.</p>	Positive
Part 4: Alignment with EU Taxonomy	<p>ISS ESG assessed the alignment of TenneT's project characteristics, due diligence processes and policies against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis². Based on robust processes for selection, the nominated project categories are considered to be:</p> <ul style="list-style-type: none"> • Aligned with the criteria for a substantial contribution to Climate Change Mitigation • Aligned with the Do No Significant Harm Criteria • Aligned with the Minimum Social Safeguards requirements 	

¹ ISS ESG's evaluation is based on the TenneT's Green Financing Framework (March 2022 version), on the analysed asset pool as received on the March 2022, and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 15.02.2022).

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage ISS ESG evaluates the alignment with the EU Taxonomy on a "best efforts basis".

ISS ESG SPO ASSESSMENT

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

A. ASSESSMENT OF TENNET'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
TENNET	Gas and Electricity Network Operators	1	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 industry and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 28.02.2022, this Rating places TenneT 5th out of 58 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.

Key Issue Performance



Sustainability Opportunities

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

Sustainability Risks

For an electricity network operator, the main social issues include ensuring reliable electricity transmission and system stability and protecting the health and safety of employees and contractors. TenneT has taken appropriate measures to ensure network reliability, applying a control system, a risk management system and implementing audits. The average interruption time for the network was at a comparatively low value in 2021. TenneT has also established group-wide health and safety management systems, and while the accident rate is at a common industry level, it has increased in recent years, and some fatal accidents occurred among contractors, which may point to some deficiencies. On the environmental side, key issues include the reduction of greenhouse gas emissions (SF6 leakages and indirect emissions through transmission losses), and the possible biodiversity impacts of its transmission network. With regard to its climate strategy, the company has set science-based targets in line with the emission reductions required to limit the global temperature increase to 1.5°C compared to pre-industrial levels. TenneT takes various measures to reduce the negative environmental impacts of the transmission system, for example with regard to the protection of birds.

Governance opinion

TenneT's governance structure is designed to facilitate an effective supervision of the executive management team, with the chair of the Supervisory Board, Mr. Ab van der Touw, as well as all the other Supervisory Board members, being independent. In addition, the company has established completely independent audit, nomination and remuneration committees. (all governance data as at December 31, 2021). The company discloses its remuneration policy for executives, including long-term components, which could incentivize sustainable value creation.

An independent sustainability committee is not in place. However, sustainability performance objectives are, to some extent, integrated into the variable remuneration of the members of the executive management team. TenneT has established a code of ethics covering issues such as corruption, conflicts of interest, insider dealings and gifts and entertainment in varying degrees of detail. The code of ethics is available in local languages and distributed to all employees, and the company conducts risk assessments and compliance trainings. An anonymous and confidential hotline is available for employees and external stakeholders, and whistleblower protection is ensured.

Sustainability impact of products and services portfolio

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

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

Breaches of international norms and ESG controversies

As of 1st March 2022, the company is not facing any severe controversy according to ISS ESG.

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

Key sustainability objectives and priorities defined by the issuer

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

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

TenneT has identified seven key areas where it can have an impact. For most sustainability priorities defined, the issuer also set quantified targets to be achieved towards 2025³.

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

Rationale for issuance

The issuer recognizes its role in avoiding CO₂ emissions to reach its Science-Based Target for committed near-term in helping keep the global average temperature to 1.5°C and Net-zero in long term. TenneT states being an important player in realizing decarbonization of the electricity sector and in making sure that electricity is delivered to society at all times.

³ TenneT is reporting on an annual basis of its performance against its Corporate Social Responsibility in its [annual report](#).

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

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

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

Contribution of Use of Proceeds categories to sustainability objectives and priorities

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

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Transmission infrastructure or equipment in an electricity system that transports at least 50% of renewable electricity	✓	✓	Contribution to a material objective
Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the transmission of renewable electricity generation.	✓	✓	Contribution to a material objective
Construction and operation of interconnectors between transmission systems	✓	✓	Contribution to a material objective

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

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

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

The net proceeds of Green Financing Instruments will be exclusively used to finance and/or refinance eligible projects ("Eligible Green Projects"), in the eligible categories, together forming the "Green Project Portfolio". In this updated Green Financing Framework, TenneT aligns the definition of the Eligible Green Projects with the current definitions of the EU Taxonomy (technical screening) criteria.

Since TenneT wants to ensure that expenditures related to the grid are fairly contributing to decarbonization of the energy world, the "Electricity Network" expenditures will only be considered as an Eligible Green Activity when the grid is transporting more than 50% of renewable electricity⁴ within the country of operations (in 2020 26% of the electricity in the Netherlands was generated by renewable sources, 44% of the electricity in Germany was generated by renewable sources).

Individual projects based on the green activities "Connection services" or "Interconnectors" within the Green Project Portfolio will use CAPEX⁵ as finance classification. The table below shows this by providing a summary of the eligibility criteria for the Green Project Portfolio as well as its contribution to the UN SDGs and alignment with the EU Environmental Objectives.

GREEN ACTIVITIES (EU TSC 4.9 – TRANSMISSION AND DISTRIBUTION OF ELECTRICITY)	ELIGIBLE GREEN ASSETS AND CAPITAL EXPENDITURES AND RELATED ELIGIBILITY CRITERIA	REFERENCE FINANCIAL LINE	ICMA/LMA GBP
Electricity network (Operation of the grid)	Transmission infrastructure or equipment in an electricity system in a country that transports at least 50% of renewable electricity (in 2020 26% of the electricity in NL was generated by renewable sources, 44% of the electricity in Germany was generated by renewable sources) and complies with at least one of the following criteria: a) the system is the interconnected European system, i.e. the interconnected control areas of	Asset Value	Renewable Energy

⁴ In accordance with the Guarantees of Origin that show proof of green electricity production (which is based on an EU Directive), TenneT defines "renewable electricity" as electricity from renewable non-fossil sources, namely wind, water, sun, biomass, solar thermal and geothermal.

⁵ TenneT will use a three calendar year capex look-back period for new issuances in 2022 and thereafter.

	<p>Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;</p> <p>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;</p> <p>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.</p> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not compliant</p>		
<p>Connection services (Investment program to make the grid ready for the zero CO₂ economy)</p>	<p>Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the transmission of renewable electricity generation.</p>	<p>Capex</p>	<p>Renewable Energy</p>
<p>Interconnectors (Interconnection with the European grid to secure supply and serve the electricity market)</p>	<p>Construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant under the EU Taxonomy</p>	<p>Capex</p>	<p>Renewable Energy</p>

The projects financed through this Green Financing Framework can be viewed on TenneT's website. TenneT include several different investments in the Netherlands and Germany, such as:

Electricity network ('Operation of the grid')

- Construction and maintenance of all its (existing) assets offshore & onshore, like offshore platforms, cables, onshore stations, lines and pylons that are part of its transmission system.

Connection services (TenneT's investment program to make its grid ready for the zero CO2economy)

- Offshore platforms, offshore and onshore cables and land stations
- Onshore cables, lines, pylons and substations.

Interconnectors (TenneT's interconnection with the European grid to secure supply and serve the electricity market)

- Onshore and offshore cables
- Onshore lines and pylons
- Onshore (HVDC) land stations.

Opinion: ISS ESG considers the Use of Proceeds description provided by TenneT's Green Financing Framework as aligned with the Green Bond Principles and Green Loan Principles. Investments in or expenditures related to activities that the issuer carries out are reflected in the Use of Proceeds categories of TenneT's Framework. The issuer provides a qualitative analysis of the environmental contribution of the project category, in line with best market practice.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

The quantitative contribution of the project categories is described in section 'impact indicators'.

Evaluation of the Green Projects against Eligibility criteria

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

to organizational changes within TenneT. However, TenneT is committed to continue with including senior management in their internal verification process.

Identified sustainability risks and benefits of the Green Project categories. It goes without saying that in any activity that TenneT pursue its work according to social and environmental laws. In addition TenneT states that its committed to the UN Global Compact Principles since 2015. The human rights principles (Principles 1 and 2) of the UN Global Compact are derived from the Universal Declaration of Human Rights. Principles 3, 4, 5 and 6 are championed by the International Labour Organization (ILO).

As per the minimum social safeguards of the EU Taxonomy, activities will also be undertaken with alignment to 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 ILO on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Furthermore, TenneT will take into account all possible sustainable impacts (risks & opportunities) linked to the project categories. In the issuer’s mitigation actions with respect to the identified risks, TenneT aims to incorporate the “Do No Significant Harm” principle to avoid carrying out activities that make a significant harm to any of the six environmental objectives set out in the EU Environmental Objectives.

People impact

IMPACT AREA	DESCRIPTION
Society	TenneT address its stakeholders’ concerns by living up to its values, i.e. being responsible, engaged and connected. Community dialogue with affected public and private parties is essential in realizing its projects.
Safety	In its projects and activities safety is its number one priority in every activity that undertake. Health and safety standards, especially for contractors and subcontractors are crucial aspects to live up to this.
Supply chain	Supply chain standards with respect to labor rights and working conditions are highly important, since many of the components are produced all around the world. Commitment of its suppliers on these requirements is essential.

Sustainability criteria and indicators for use of proceeds

TenneT has impact on the following SDGs and integrate the described indicators as part of its project evaluation and selection process to help TenneT to identify suitable projects

Planet impact

IMPACT AREA	DESCRIPTION
Circular	Use copper, steel, aluminum and many more materials to expand its grid. This has impact on raw material use and generates a waste stream that has significant impact from a circularity perspective.
Climate	Climate impact of operations is the issuer responsibility and its strive to reduce the impact focusing on grid losses, energy use, SF6 losses and mobility.
Nature	TenneT commitment to nature is to take its responsibility to avoid, minimise the impact and protect and improve local nature. While planning, constructing and operating its assets is has unavoidable impact, but also has the unique opportunity to make a positive contribution.

In addition, risks can be associated with project-related controversies, which will be transparently reported. In order to make sure that the related people and planet impact linked to potential projects are identified and the opportunities clearly fostered, a list of sustainability criteria has been established for the project categories.

ASPECT	INDICATORS
Society Community dialogue	I. Community dialogue is conducted as an integrated part of the planning process and during operation
Safety Working conditions during construction and maintenance work	I. The company itself as well as its contractors apply high labour and safety standards during construction and maintenance work. II. Number of fatal accidents and annual accident rate related to construction and maintenance work (own employees and contractors).
Supply chain Social standards in the supply chain	I. Suppliers comply with high standards regarding labour rights and working conditions.
Circular Decommissioning and recycling of cables, lines, onshore and offshore stations	I. Robust decommissioning process and rehabilitation of construction sites is conducted. II. Environmental impacts at end-of-life (after at least 20 years of operation) will be minimized
Climate Operational climate impact	I. Reducing energy use is taken into account in the design phase. II. High standards regarding reducing SF6-leakage are applied.
Nature aspects in planning, construction and operation of cables, lines, onshore and offshore stations	I. High environmental standards and requirements (environmental impact assessment, biodiversity assessment, research on impacts on maritime fauna).

	<p>II. In biodiversity hotspots for which alternative route planning has been considered and/ or route planning has been optimized in consultation with experts.</p> <p>III. High environmental standards during construction works (noise mitigation, avoidance of pile driving, minimization of discharges to ocean).</p> <p>IV. Number of environmental incidents related to construction and maintenance work.</p>
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Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by TenneT’s Green Financing Framework as aligned with the Green Bond Principles and Green Loan principles. The issuer involves various relevant stakeholders in this process, clearly defines responsibilities in the process for project evaluation and selection and is transparent about it and identified a number of other social and environmental risks from the project, in line with best market practice.

3. Management of Proceeds

FROM ISSUER’S FRAMEWORK

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

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

To be transparent on the financing/refinancing ratio of the portfolio, the yearly capex spend of the total portfolio will be reported, TenneT will use a third-party to verify the internal tracking and the allocation of proceeds to Eligible Green Projects .

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

Opinion: ISS ESG finds that Management of Proceeds proposed by TenneT’s Green Financing Framework is well aligned with the Green Bond Principles and Green Loan Principles.

4. Reporting

FROM ISSUER'S FRAMEWORK

TenneT committed to an annual reporting towards its Green investors, published together with its annual report. The report can be found online⁶. This reporting will comprise the following information:

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

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

Opinion: ISS ESG finds that the reporting proposed by TenneT's Green Financing Framework is aligned with the Green Bond Principles and Green Loan Principles. The issuer commits to annually report, until redemption, on allocation and impact in a clear, detailed and transparent manner.

⁶ <https://www.tennet.eu/?L=0#&panel1-1>

Furthermore, the issuer is transparent on the level of impact reporting and the information that will be reported in the impact report. Besides that, the issuer is committed on a best efforts basis to report with the portfolio approach described in “The Green Bonds Principles - Harmonized Framework for Impact Reporting (April 2020) and defined the reporting frequency, the frequency of the impact report as well as discloses the location and link of the report, in line with best market practices.

External review

FROM ISSUER'S FRAMEWORK

TenneT has appointed ISS-ESG to provide a Second Party Opinion on its Green Financing Framework. ISS-ESG has been providing such opinions for TenneT since the first iteration of its Green Bond Framework, published in 2015.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE







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

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

This assessment is displayed on 5-point scale (see Annex 1 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION ⁷	SUSTAINABLE DEVELOPMENT GOALS
Construction and operation of interconnectors between transmission systems	Significant contribution	 
Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the transmission of renewable electricity generation.	Significant contribution	 
Transmission infrastructure or equipment in an electricity system that transports at least 50% of renewable electricity	Significant contribution	 

⁷ This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the Issuer has based its selection criteria on the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).

B. ALIGNMENT OF THE PROJECT SELECTION CRITERIA WITH THE EU TAXONOMY

ISS ESG assessed the alignment of TenneT'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 Act⁸ (June 2021), based on information provided by TenneT. Where TenneT's projects and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the EU Taxonomy Criteria requirements.

TenneT's project selection criteria overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

4.9 Transmission and Distribution of Electricity

⁸ 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 ⁹	ALIGNMENT
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA		
<p>The activity complies with one of the following criteria:</p> <p>1. The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis is not compliant. Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant.</p> <p>2. The activity is one of the following:</p> <p>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;</p> <p>b) construction and operation of electric vehicle (EV) charging stations and supporting electric infrastructure for the electrification of transport, subject to compliance with the technical screening criteria under the transport Section of this Annex;</p> <p>c) installation of transmission and distribution transformers that comply with the Tier 2 (1 July 2021) requirements set out in Annex I to the Commission Regulation (EU) No 548/2014 and, for</p>	<p>TenneT confirms that all projects listed in the asset pool (March 2022 version) located in Germany and the Netherlands are to be financed under a new green financing instrument governed by their latest green financing framework (March 2022 version).</p> <p>ISS ESS has assessed the project locations and found none of the proposed projects shown in the asset pool is outside of Germany or the Netherlands.</p> <p>Therefore, the projects are part of the interconnected European system and therefore considered eligible with the criteria requirements.</p> <p>In addition, the construction/installation and operation of the projects has as main objective an increase of the generation or use of renewable electricity generation.</p> <p>Therefore, the projects are not only eligible as part of the interconnected European system but they are also eligible as activity and considered as an activity that is aligned with the criteria requirements</p>	<p style="text-align: center;">✓</p>

⁹ This column is based on input provided by the issuer.

- 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, including: (i) sensors and measurement tools (including meteorological sensors for forecasting renewable production); (ii) communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed).
 - 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) construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant.

For the purposes of this Section, the following specifications apply:

- a) the rolling five-year period used in determining compliance with the thresholds is based on five consecutive historical years, including the year for which the most recent data are available;
- b) a 'system' means the power control area of the transmission or distribution network where the infrastructure or equipment is installed;
- c) transmission systems may include generation capacity connected to subordinated distribution systems;
- d) distribution systems subordinated to a transmission system that is deemed to be on a trajectory to full decarbonisation may also be deemed to be on a trajectory to full decarbonisation;
- e) to determine compliance, it is possible to consider a system covering multiple control areas which are interconnected and with significant energy exchanges between them, in which case the weighted average emissions factor across all included control areas is used, and individual subordinated transmission or distribution systems within that system is not required to demonstrate compliance separately;

- f) it is possible for a system to become non-compliant after having previously been compliant. In systems that become non-compliant, no new transmission and distribution activities are compliant from that moment onward, until the system complies again with the threshold (except for those activities that are always compliant, see above). Activities in subordinated systems may still be compliant, where those subordinated systems meet the criteria of this Section;
- g) a direct connection or expansion of an existing direct connection to production plants includes infrastructure that is indispensable to carry the associated electricity from the power generating facility to a substation or to the network

2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA

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 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.

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

TenneT states that it commits to the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations to achieve their strategic goals.

On the organizational level, TenneT has reported the climate risks and opportunities in their annual report¹⁰ following the TCFD recommendation.

TenneT also works together with its supplier to find out a more robust solution to stand with the impact of the climate (including scenarios related to drought, flooding and more extreme weather events). Here is one of the examples of how TenneT works together with their supplier - Netbeheerders leren werken met water¹¹

TenneT confirms that it conduct the risk assessments at the planning stage for every single project and the assessment has consider the expected lifetime of the activity, including the Physical climate risks (both acute and chronic), then would take necessary measures (e.g. reengineering the facility or building, change of location and change of materials.)

One of the examples provided by TenneT is as follows: In Noordwaard, where flooding submerged part of a pylon (Mast 58) on the 380 kV line between Krimpen aan den IJssel and Geertruidenberg. TenneT designed a new steel base for the mast, coated to withstand water, and raised the pylon by 4 metres – all while maintaining the power supply.



¹⁰ https://annualreport.tennet.eu/2021/downloads/560cc31d-c933-40e6-9f4a-cb98702e549b/TenneT_IAR_2021.pdf
¹¹ <https://www.netbeheer Nederland.nl/nieuws/netbeheerders-leren-werken-met-water-1410> (Dutch Language only)

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.

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.

3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

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.

TenneT states that it commits to the principles of the UN Global Compact ¹², Organisation for Economic Development OECD guidelines ¹³ to minimize their impact on the environment and to facilitate a circular economy.

Examples provided from Tennet’s annual report demonstrate how the company minimizes waste and supports the circular economy.

TenneT sets a target to reduce the use of virgin copper and non-recyclable waste by 25% in 2025. (baseline 2020). The target has been transformed into requirements to their supplier (internal document sampled: Employer’s Requirements Specifications – IV1234 SPE.00.100-2GW)

TenneT establishes a material passports system for their tenders with a better understanding and insight on material usage in projects. This records all raw materials used in a specific product, stating which include recycled and recyclable material. The passport provides transparency of resource mix and provides a basis to increase the circularity of product components. TenneT states in its annual report that it aims to include a raw material passport system in all its new tenders, allowing a comprehensive view of circularity in its supply chain and close collaboration with its supplier.



5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Overground high voltage lines:

(a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines.

(b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) and for activities carried out in third countries, the 1998 Guidelines of International

TenneT confirms its construction site activities; activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines.

TenneT also confirms that its activities also respect applicable norms and regulations to limit the impact of electromagnetic radiation on human health as well as all their activities do not use PCBs polychlorinated biphenyls.


TenneT has published a series of Brochures ¹⁴to explain its procedure for constructing the high voltage facilities and the facilities impacting the environment, safety, neighbour property with



¹² https://www.tennet.eu/fileadmin/user_upload/Company/Our_Responsibility/CSR_2020/UNGC- COP_TenneT_2020.pdf

¹³ https://www.tennet.eu/fileadmin/user_upload/Company/Our_Responsibility/CSR_2020/Additional_CSR_data_document_2020_update_d_June_2020.pdf

¹⁴ <https://www.tennet.eu/nl/ons-hoogspanningsnet/betrokken-bij-de-omgeving/brochures-hoogspanning-en-omgeving/>

<p>Commission on Non-ionizing Radiation Protection (ICNIRP).</p> <p>Activities do not use PCBs polychlorinated biphenyls.</p>	<p>measures as well as the compensation arrangement.</p>	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA		
<p>An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU.</p> <p>Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented.</p> <p>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.</p>	<p>All projects are located within the Netherlands and Germany, they are subject to the directive and relevant national legislation for EIAs.</p> <p>TenneT confirms all its projects have completed the Environmental Impact Assessment (EIA) in accordance with Directive 2011/92/EU.</p> <p>The Environmental Impact Assessment (EIA) report for projects have been reviewed:</p> <ol style="list-style-type: none"> 1. IJmuiden Ver Alpha Offshore Grid Summary of Phase 2 Environmental Impact Assessment, 2. IJmuiden Ver Beta Offshore Grid Summary of Phase 2 Environmental Impact Assessment, 3. SAMENVATTING MER NET OP ZEE HOLLANDSE KUST (NOORD) EN (WEST ALPHA), 4. Samenvatting milieueffectrapportage ZW380 hoogspanningsverbinding Borssele – Rilland, 5. Net op zee Hollandse Kust (west Beta) - MER fase 2 Samenvatting – Definitief has been sampled and assessed. 6. Wilhelmshaven – Conneforde <p>TenneT has an initiative call “Groene kaart¹⁵” which focus on nature, biodiversity, communities and society as a whole.</p>	

¹⁵ <https://www.tennet.eu/nl/ons-hoogspanningsnet/groene-kaart/>

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 Regulation¹⁶. 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
<p>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.</p>	<p>TenneT states that it commits to the principles of the UN Global Compact¹⁷, Organisation for Economic Development OECD guidelines¹⁸ to respect the human right and uphold social standards.</p> <p>For the UN Guiding Principles on Business and Human Rights (UNGP), TenneT setup Human right assessment framework based on the UNGP and conducted a Human rights assessment in 2018/2019.</p> <p>Regarding the ILO commitment, TenneT also has set expectations regarding the conduct and integrity of its service providers and suppliers. For this purpose, TenneT has published a Supplier Code of Conduct ¹⁹ which formulates its expectations and forms part of its contracts with suppliers.²⁰</p> <p>In 2021, TenneT performed 24 supplier visits. It is TenneT's policy to not accept suppliers who fail to meet its standards. In 2021, 20 suppliers met its standards, or were given the opportunity after taking corrective actions. 3 suppliers were not approved and 1 supplier is awaiting the result²¹.</p> <p>TenneT only operates in Germany and the Netherlands. As those are OECD countries, TenneT is also obligated to comply with the OECD Guidelines for MNE.</p>	<p style="text-align: center;">✓</p>

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

¹⁷ https://www.tennet.eu/fileadmin/user_upload/Company/Our_Responsibility/CSR_2020/UNGC- COP TenneT_2020.pdf

¹⁸ https://www.tennet.eu/fileadmin/user_upload/Company/Our_Responsibility/CSR_2020/Additional_CSR_data_document_2020_updated_June_2020.pdf

¹⁹ https://www.tennet.eu/fileadmin/user_upload/Company/Procurement/DE/Supplier_Code_of_Conduct.pdf

²⁰ <https://www.tennet.eu/company/compliance/compliance-at-tennet/>

²¹ https://annualreport.tennet.eu/2021/downloads/560cc31d-c933-40e6-9f4a-cb98702e549b/TenneT_IAR_2021.pdf

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1. Validity of the SPO: As long as TeneT's Green Financing Framework does not change significantly.
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.
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ANNEX 1: Methodology

EU Taxonomy

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

The evaluation shows to understand if TenneT's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

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

Environmental and social risks assessment 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" 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.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by TenneT (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 TenneT's Green Financing Instruments contributes 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

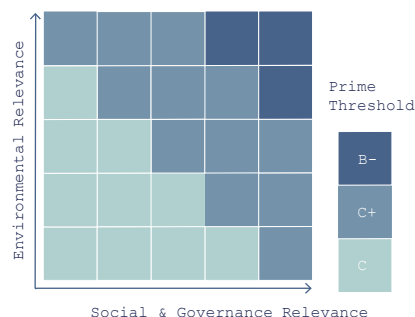
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

TenneT commissioned ISS ESG to compile a Green Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA GBP and LMA GLP and to assess the sustainability credentials of its Green Financing 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)

ISSUER'S RESPONSIBILITY

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

- Framework
- Asset pool
- 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 Financing Instruments to be issued by TenneT based on ISS ESG methodology and in line with the ICMA GBP and LMA GLP.

The engagement with TenneT took place from February to March 2022

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.

ANNEX 4: Current Green Asset Portfolio

Currently the following projects are included in the Green Asset Portfolio and financed through Tennet's Green Bonds:

PROJECT	CONNECTION START	CONNECTION END	TRANSMISSION POWER	CABLE LENGTH TOTAL (SUBMARINE; ONSHORE)	EXPECTED CONSTRUCTION START	EXPECTED OPERATION START	ADDED IN GREEN PROJECT PORTFOLIO ²²
Pirach - Pleinting	Pirach	Pleinting	3,6 GW	80 km	2026	2030	March 2022
Oberbachern - Ottenhofen	Oberbachern	Ottenhofen	4,0 GW	47 km	2023	2031	March 2022
Ganderkesee - St.Hülfe	Ganderkesee	Hülfe	3,6 GW	60,84 km	2017	2023	March 2022
Hamburg/Nord - Dollern	Hamburg/Nord	Dollern	3,6 GW	43 km	2017	2019	March 2022
Stade - Landesbergen	Stade	Landesbergen	4,0 GW	167 km	2016	2026	March 2022
Ostküstenleitung	Abschnitt Segeberg	Siems	3,6 GW	126,5 km	2022	2027	March 2022
Conneforde - Cloppenburg - Merzen	Conneforde	Merzen	3,6 GW	97,6 km	2022	2026	March 2022
Wahle - Mecklar	Wahle	Mecklar	3,6 GW	225,2 km	2015	2026	March 2022
Altheim - St. Peter	Altheim	St. Peter	3,6 GW	86 km	2019	2026	March 2022

²² Only projects newly added (March 2022) to the project portfolio were assessed the alignment against the criteria of the EU Taxonomy (Climate Delegated Act of June 2021).

PROJECT	CONNECTION START	CONNECTION END	TRANSMISSION POWER	CABLE LENGTH TOTAL (SUBMARINE; ONSHORE)	EXPECTED CONSTRUCTION START	EXPECTED OPERATION START	ADDED IN GREEN PROJECT PORTFOLIO ²³
Emden/Ost - Conneforde	Emden/Ost	Conneforde	2,8 GW	59,2 km	2017	2022	March 2022
Willemshaven - Conneforde	Willemshaven	Conneforde	3,6 GW	29,7 km	2016	2020	March 2022
Zuid West - Oost	Rilland	Tilburg	2,6 GW	163 km	2024	2030	March 2022
Zuid West - West	Borssele	Rilland	2,6 GW	43 km	2016	2023	March 2022
BorWin6	Platform BorWin kappa	Büttel	980 MW	233 km	2022	2027	March 2022
BalWin1	Between N-9.1 and N-9.2 (North Sea)	Unterweser	2 GW	258 km	2023	2029	March 2022
Hollandse Kust West Alpha	Windenergiegebied Hollandse Kust (west Alpha)	Wijk aan Zee	700 MW	70 km	2020	2024	March 2022
Hollandse Kust West Beta	Windenergiegebied Hollandse Kust (west Beta)	Wijk aan Zee	700 MW	68 km	2022	2026	March 2022
Ijmuiden Ver Alpha	Windgebied 1	Borssele	2 GW	179 km	2023	2028	March 2022
Ijmuiden Ver Beta	Windgebied 1	Maasvlakte	2 GW	158 km	2023	2029	March 2022

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PROJECT	CONNECTION START	CONNECTION END	TRANSMISSION POWER	CABLE LENGTH TOTAL (SUBMARINE; ONSHORE)	EXPECTED CONSTRUCTION START	EXPECTED OPERATION START	ADDED IN GREEN PROJECT PORTFOLIO ²⁴
Alfa Ventus	AlfaVentus platform	Hagermarsch, Germany	62 MW	66km (60km; 6km)	2006	2009	March 2020
Borssele alpha	Borssele alpha	Borssele, Netherlands	700 MW	60 km (59 km; 1 km)	2017	2019	March 2018
Borssele beta	Borssele beta	Borssele, Netherlands	700 MW	66 km (65 km; 1 km)	2017	2020	March 2018
BorWin1	BorWin alpha	Diele, Germany	400 MW	200 km (125 km; 75 km)	2008	2010	June 2017
BorWin2	BorWin beta	Diele, Germany	800 MW	200 km (125 km; 75 km)	2010	2015	March 2017
BorWin3	BorWin gamma	Emden Ost, Germany	900 MW	160 km (130 km; 30 km)	2015	2019	May 2016
DolWin5	DolWin epsilon	Emden-Ost, Germany	900 MW	130 km (100km; 30km)	2021 (Cable), 2024 (platform)	2024	March 2021
Borwin5	BorWin epsilon	Garrel-Ost, Germany	900MW	230 km (110km; 120 km)	2022	2025	March 2021
Dolwin1	DolWin alpha	Dörpen West, Germany	800 MW	165 km (75 km; 90 km)	2011	2015	May 2015
DolWin2	DolWin beta	Dörpen West, Germany	916 MW	135 km (45 km; 90 km)	2012	2016	May 2015

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PROJECT	CONNECTION START	CONNECTION END	TRANSMISSION POWER	CABLE LENGTH TOTAL (SUBMARINE; ONSHORE)	EXPECTED CONSTRUCTION START	EXPECTED OPERATION START	ADDED IN GREEN PROJECT PORTFOLIO ²⁵
DolWin3	DolWin gamma	Dörpen West, Germany	900 MW	160 km (80 km; 80 km)	2014	2018	May 2015
DolWin6	DolWin Kappa	Emden/Ost	900 MW	86 km (45 km; 41 km)	2019	2023	March 19
Dörpen/West - Niederrhein	Dörpen West substation	Stadt Meppen, Germany	3100 MW	31km (onshore)	2017	2022	April 2020
HelWin1	HelWin alpha	Büttel, Germany	576 MW	130 km (85 km; 45 km)	2011	2015	June 2017
HelWin2	HelWin beta	Büttel, Germany	690 MW	130 km (85 km; 45 km)	2011	2015	March 2018
HKN	HKN platform	Beverwijk, Netherlands	700 MW	45km (35km; 10km)	2020	2023	April 2020
HKZ Alpha	HKZ Alpha	Maasvlakte2	700 MW	45 km (42 km; 3 km)	2019	2021	March 2019
HKZ BETA	HKZ Beta	Maasvlakte2	700 MW	37 km (34 km; 3 km)	2020	2022	March 2019
Mittelachse	Part 1: Audorf Part 2: Audorf Part 3: Flensburg (Handewitt) (Total: From Hamburg-Nord to Kassö (Denmark))	Part 1: Hamburg Nord Part 2: Flensburg (Handewitt) Part 3: Kassö (Denmark)	3000MW	Part 1: 70 km (onshore) Part 2: 70 km (onshore) Part 3: 10 km (onshore)	Part 1: 2015 Part 2: 2018 Part 3: 2019	Part 1: 2017 Part 2: 2020 Part 3: 2020	March 2021

²⁵ Only projects newly added to the project portfolio (March 2022) were assessed the alignment against the criteria of the EU Taxonomy (Climate Delegated Act of June 2021).

PROJECT	CONNECTION START	CONNECTION END	TRANSMISSION POWER	CABLE LENGTH TOTAL (SUBMARINE; ONSHORE)	EXPECTED CONSTRUCTION START	EXPECTED OPERATION START	ADDED IN GREEN PROJECT PORTFOLIO ²⁶
Nordergründe	Nordergründe platform	Inhausen, Germany	111 MW	32km (28km; 4km)	2013	2017	April 2020
SuedLink	Schleswig-Holstein: part 1: Brunsbüttel and part 2 Wilster	Part 1: Großgartach in Baden-Württemberg and Part 2: Bergrheinfeld-West in Bayern	4000MW (2x2000 MW)	700 km (onshore) – TenneT part is 245 km (including Elbe tunnel)	2023	2028	March 2021
SuedOstLink	Part 1: Wolmirstedt in Sachsen-Anhalt; Part 2 Klein Rogahn in Mecklenburg-Vorpommern	Part 1: ISAR bei Landshut in Bayern; Part 2: ISAR bei Landshut in Bayern	4000MW (2x2000MW)	270 km (onshore) from frontier Thüringen/Bayern to ISAR bei Landshut	2022	Part 1: 2025 Part 2: 2030	March 2021
SylWin1	SylWin alpha	Büttel, Germany	864 MW	205 km (160 km; 45 km)	2012	2015	September 2016
Westküstenleitung	Brunsbüttel substation	Danish border, Germany	3500 MW-	138 (onshore)	2015	2023	April 2020

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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.

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