

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bonds

Nederlandse Gasunie NV
17 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds
Relevant standard(s)	Sustainability-Linked Bond Principles and Climate Transition Finance Handbook, as administered by ICMA
Scope of work	Gasunie Sustainability-Linked Bond Framework
Lifecycle	Pre-issuance verification
Validity	As long as Gasunie's Sustainability-Linked Bond Framework remain unchanged

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SCOPE OF WORK

Nederlandse Gasunie NV (Gasunie) commissioned ISS ESG to assist with its Sustainability-Linked Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the Key Performance Indicators (KPIs) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and sector, and whether the associated targets are ambitious.
2. Gasunie’s Sustainability-Linked Bond Framework (17 September 2021) benchmarked against the Sustainability-Linked Bond Principles (SLBPs) and Climate Transition Finance Handbook, as administered by the International Capital Market Association's (ICMA).
3. Sustainability-Linked Bond link to Gasunie’s sustainability strategy – drawing on Gasunie’s overall sustainability profile and related objectives.

GASUNIE BUSINESS OVERVIEW

Gasunie is an energy infrastructure company that is wholly owned by the Dutch state. It operates the infrastructure related to the transport, storage and conversion of natural gas in the Netherlands and Germany. It also operates energy infrastructure which connect the producers with the end users, including gas transport networks, international transit pipelines, gas storage, gas conversion, LNG infrastructure and virtual gas trading platforms.

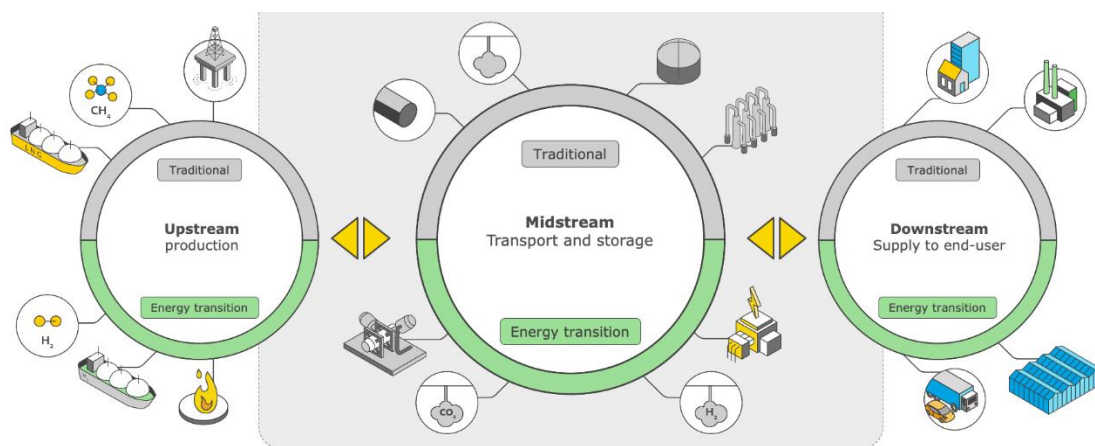


Figure 1 Gasunie's activities

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
Part 1A	KPI selection: Material to issuer’s business model and sustainability profile
KPI selection and SPT calibration	<p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer’s past performance • Ambitious against issuer’s sectorial peer group • Ambitious against national and EU emissions targets
<p>KPI 1</p> <p>Reducing Methane Emissions</p>	<p>The KPI selected is core, relevant and material to Gasunie’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable, because it will be measured and reported using the Methane Guiding Principles and the GHG Protocol, which are the industry standards. It covers all of the methane emissions from the operations and activities of Gasunie.</p> <p>ISS ESG finds that the SPT calibrated is ambitious against past performance, because whilst the future annualized reductions are similar to the previous annual reductions, Gasunie explains that future reductions will be more difficult to achieve than previous reductions, which were mainly achieved through improved maintenance procedures. The SPT is ambitious against industry peers, because it is higher than the public targets announced by a number of industry peers selected by Gasunie and because the issuer is one of the few companies in the industry group as identified in the ISS ESG universe to have announced a target for methane emissions reductions. It is ambitious against the EU Methane Strategy and the Dutch and German national climate targets which refer to all GHGs generally. It is not possible to evaluate the SPT against the Paris Agreement, which refers to all GHG generally and does not specify methane emissions. The SPT is set in a clear timeline, benchmarkable and supported by a strategy and action plan.</p>

¹ ISS ESG’s evaluation is based on the engagement conducted in August 2021, on Gasunie’s Sustainability-Linked Bond Framework and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on 06.08.2021).

<p>PART 1B:</p> <p>KPI SELECTION AND SPT CALIBRATION</p> <p>KPI 2</p> <p>REDUCING SCOPE 1 AND 2 GHG EMISSIONS</p>	<p>KPI SELECTION: CORE, RELEVANT AND MATERIAL TO ISSUER’S BUSINESS MODEL AND SUSTAINABILITY PROFILE</p> <p>SUSTAINABILITY PERFORMANCE TARGET (SPT) CALIBRATION:</p> <ul style="list-style-type: none"> • AMBITIOUS AGAINST ISSUER’S PAST PERFORMANCE • AMBITIOUS AGAINST ISSUER’S SECTORIAL PEER GROUP <p>CURRENTLY NOT BENCHMARKABLE AGAINST AN INTERNATIONAL STANDARD</p> <p>The KPI selected is core and relevant to the issuer’s business model and consistent with its sustainability strategy. It is material to the issuer’s direct operations but does not cover the entire corporate value chain. This is because the KPI does not include the Scope 3 emissions, which represent 34%² of the company’s overall emissions (they do not include the emissions from the consumption of gas, because Gasunie does not sell the gas to the end user).</p> <p>The KPI is calculated based on the GHG Protocol and is therefore appropriately measurable, quantifiable and externally verifiable.</p> <p>The SPT calibrated by Gasunie is ambitious compared to the previous rate of reduction in the period 2016-2020, because as Gasunie explains, they had previously substantially reduced their GHG emissions and therefore future emissions reductions will be more difficult and or costly to carry out. The SPT is ambitious against peers selected by Gasunie, as well as amongst Gasunie’s industry peer group in the ISS ESG Universe. It is currently not possible to directly benchmark the SPT against international targets such as the Paris Agreement, because the SBTi methodology for the Oil and Gas sector is currently in development, or the EU, Dutch and German national climate targets, because of the incomparability of company and national climate targets. Gasunie has stated their commitment to reconsider the ambition of the SPT when the SBTi methodology becomes available. The achievement of the SPT is supported by a proposed strategy and action plan, which has received inputs by an external consultant.</p>
<p>Part 2A:</p> <p>Alignment with the SLBPs</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles</p> <p>The Issuer has defined a formal framework for its Sustainability-Linked Bond regarding the selection of KPI, calibration of SPT, sustainability-linked bond characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by ICMA.</p>
<p>Part 2B:</p> <p>Implementation of CTFH recommendations</p>	<p>Consistent implementation of the ICMA Climate Transition Finance Handbook (CTFH) recommendations, with some exceptions</p> <p>Gasunie has defined a formal Climate Transition Strategy which is clearly explained and disclosed transparently, with a long term ambition of carbon neutrality by 2050. The strategy is relevant to the environmentally-material parts of its business model. Gasunie has provided transparency on an action plan with various possible decarbonisation levers and the planned investments into each. The action plan has received inputs from an external consultancy and is also partly based on a rigorous</p>

study published by Gasunie, on the possible energy infrastructure in its key markets in 2050, which used several scenarios developed by the private sector.

The company will disclose and showcase its decarbonisation with two quantitative metrics, as analysed in the SLBP portion of the SPO. Neither metric has been benchmarked against external science based pathways, as there are currently no external reference points available in the sector to conduct such a benchmarking.

The development of the strategy and action plan has been supported by an external consultant but the alignment of the SPTs with the overall strategy has not received independent verification by a qualified external party.

Consistent with issuer's sustainability strategy

Part 3:

Link to issuer's sustainability strategy

According to the ISS ESG Corporate Rating published 06.08.2021, the company currently shows a high sustainability performance against peers on key ESG issues faced by the Gas and Electricity Network Operators sector. It is Prime rated and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 14th out of 52 companies within its sector as of 13.09.2021.

² using location based approach for Scope 2 emissions to more realistically reflect the relative proportion of Scope 2, given that the company has completely decarbonised its Scope 2 with the use of renewable energy GoOs

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

Two KPIs and their corresponding SPTs have been selected under this Framework and will be analysed in turn in the following sections.

1.1. KPI selection

KPI 1: Methane emissions

FROM ISSUER'S FRAMEWORK

KPI: Reduction of methane emissions (kilotonnes of CO₂ equivalent)

Long-term goal: Part of the company's overall 2050 carbon neutrality goal

Rationale: Reducing methane emissions in the energy industry is a key focus area of the European Commission to reach 2030 climate targets and the 2050 climate neutrality goal. In 2020, the European Commission launched a dedicated EU Strategy to reduce methane emissions. Gasunie aims to contribute to significantly reduce methane emissions and be among the front-runners in Europe in this respect.

Baseline: 138 kilotonnes of CO₂ equivalent

Baseline year: 2020

Scope: Total gross methane emissions for N.V. Nederlandse Gasunie (holding company), comprising the methane emissions of all operated entities: Gasunie Transport Services B.V., Gasunie Deutschland GmbH & Co. KG, BBL Company B.V., EnergyStock B.V. and Hynetwork Services B.V.

Materiality and relevance

"Facilitation of the energy transition and resource efficiency" is a key ESG issue faced by the Gas and Electricity Network Operators sector according to key ESG standards³ for reporting and ISS ESG assessment. In particular, fugitive and vented methane emissions are a key source of GHG emissions from gas distribution networks, as methane has a global warming potential up to 25⁴ times higher than carbon dioxide.

ISS ESG finds that the methane reduction KPI selected by the issuer is:

- **Relevant** to issuer's business, because fugitive and vented methane emissions are leaks of the company's cargo for which it is paid to transport. Hence lower rates of fugitive and vented emissions lead to higher rates of transmission efficiency through the distribution network.
- **Core** to the Gasunie's business, because reducing such emissions would require operational and technological changes.

³ Key ESG Standards include SASB and TCFD, among others.

⁴ From IPCC AR4, as used by Gasunie

- **Material** to Gasunie from an ESG perspective. Fugitive and vented methane emissions are a key ESG topic for this sector. Data provided by Gasunie shows that the fugitive and vented methane emissions account for 44% of its Scope 1 emissions in 2020, partly due to the high global warming potential of methane.

Consistency with overall company's sustainability strategy

One of Gasunie's sustainability goals is to reduce its GHG emissions. An important part of delivering this goal would be to reduce its methane emissions, which although is shorter lived than CO₂, is up to 25 times⁵ as potent in terms of global warming potential. Therefore, ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Material scope and perimeter:** The KPI selected covers all the methane emissions from the operations of Gasunie's entities.
- **Quantifiable:** The KPI selected is measurable and quantifiable. Gasunie is a signatory to the 'Methane Guiding Principles' and the 'Oil and Gas Methane Partnership 2.0' and will use the industry standard in measuring and reporting its methane emissions.
- **Externally verifiable:** The KPI selected is externally verifiable because it will be calculated using industry standards and independently verified by an external auditor. The historical data for the KPI had also been verified by the same auditor.
- **Benchmarkable:** By using the Methane Guiding Principles and the GHG Protocol for measuring and reporting, the KPI is directly comparable with the relevant data reported by Gasunie's industry peers and relevant external references.

Opinion on KPI selection: ISS ESG finds that the KPI selected is core, relevant and material to Gasunie's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all of the operations and activities of Gasunie.

1.2. Calibration of SPT

SPT 1: Reduction of methane emissions

FROM ISSUER'S FRAMEWORK⁶

Sustainability Performance Target: Methane emissions of maximum 70 kilotonnes of CO₂ equivalent for full calendar year 2030

⁵ From IPCC AR4, as used by Gasunie.

⁶ This information is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Sustainability Performance Target Trigger: Amount of methane emissions in full calendar year 2030

Sustainability Performance Target Observation Date: December 31, 2030, as well as annually

Baseline Intensity: 138 kilotonnes of CO₂ equivalent

Rationale: Similarly to KPI 1, the level of the SPT was chosen on the basis that it's feasible in terms of available technologies and cost effectiveness. The decision on the level of the SPT also took into account forward projections on relevant carbon prices.

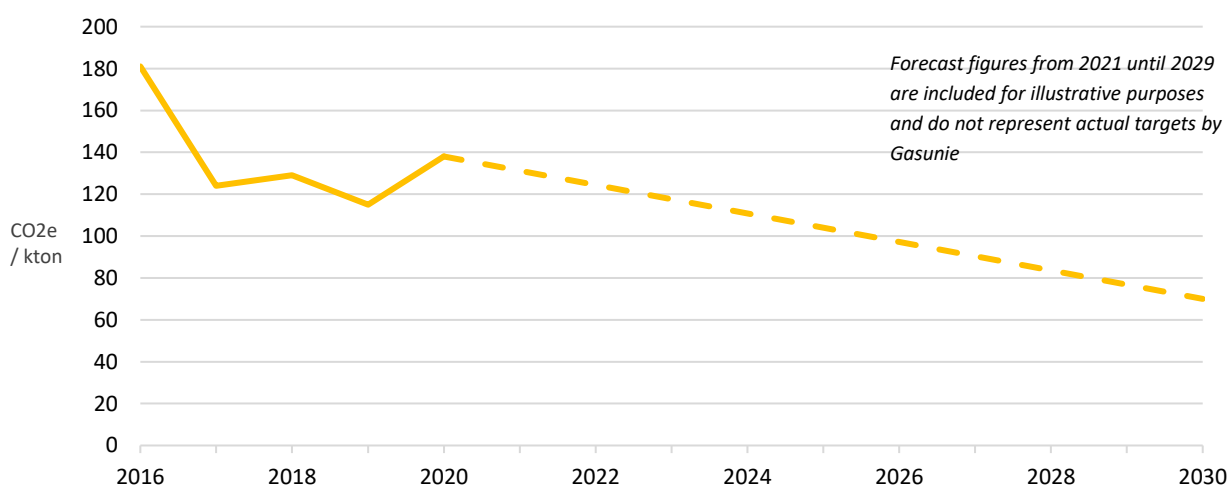
Risks to the target: In terms of challenges to reach the target, Gasunie identifies as the most imminent one the identification and implementation of measures to avoid methane leakage. Additionally, given the fast transition to a less carbon intensive world, Gasunie is also required to rapidly adapt to the new demands and regulatory requirements, which involves therefore several efforts in terms of organizational, cultural and scale changes on a corporate level.

Ambition

Against company's past performance

Figure 2 below shows the methane emissions as reported by Gasunie from 2016 to 2020. The graph shows that the emissions have varied, even as the overall amount of gas transported in the network, as shown in Fig 3, have decreased on a gradual trajectory. Therefore, the emissions in 2020 were slightly higher, compared to the lowest emissions in this period, in 2019. Gasunie explains in their 2020 Annual Report⁷ that this increase in 2020 was due to operational changes in the gas network and related equipment. Despite this increase, the methane emissions between 2016-2020 decreased by 24%. Gasunie also says that the emissions in 2020 represent a "close to 50% reduction"⁸ on 1990.

Fig 2 Methane emissions (kiloton CO₂e), provided by Gasunie



⁷ Gasunie Annual Report 2020 page 47

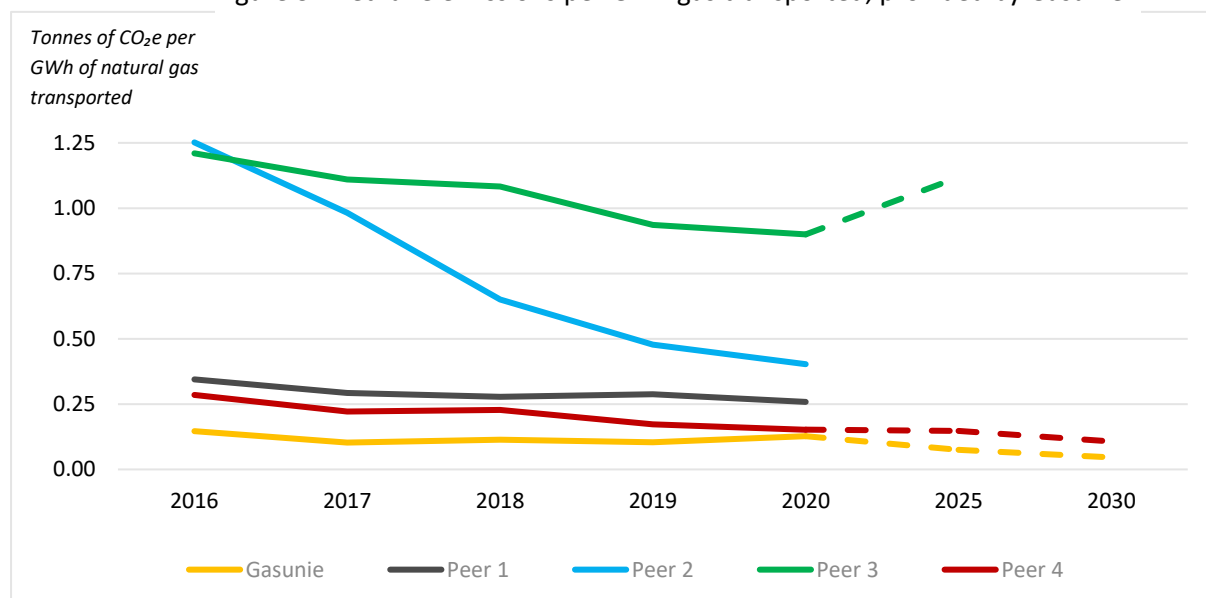
⁸ From Framework

In contrast, the SPT aims for a 50% reduction between 2020-2030. Therefore, this annualised reduction rate of 5% per year is slightly slower than the 6% per year reduction between 2016-2020. Gasunie explains that the previous reductions before 2019 were achieved due to “the most efficient measures tied to regular matintenance and replacement” and therefore further reductions after 2020 would go “beyond business as usual”. This statement can be considered reasonable, as emissions reductions are generally delivered according to the marginal abatement cost curves. Continued substantial reductions after the large reductions between 2016-2020 may be more costly to implement and therefore the SPT is considered ambitious against the past performance between 2016-2020.

Against company’s sectorial peers

Figure 3, provided by Gasunie⁹, shows Gasunie (yellow line)’s historical and projected methane emissions, expressed as an intensity level, next to four of Gasunie’s industry peers in Europe. Two of the peers have not reported reduction targets for their methane emissions. Based on this information provided by Gasunie, the SPT is ambitious compared to its sectorial peers.

Figure 3. Methane emissions per GWh gas transported, provided by Gasunie



Additionally, ISS ESG reviewed the 24 companies wholly involved in the gas distribution (no electricity transmission) business, located worldwide, which are in the ISS ESG Universe. As of August 2021, of these 24 companies, only 6, including Gasunie, have public methane emissions reduction targets. Therefore, a simple assessment shows that Gasunie is within the top 25% of the industry, by having a public methane emissions reduction target.

ISS ESG concludes that the SPT set by the issuer is ambitious compared to its industry peer group, in terms of defining a methane emissions reduction target, as well as ambitious when comparing the quantitative details of the target.

⁹ Forecast figures from 2021 until 2029 are included for illustrative purposes and do not represent actual targets by Gasunie

Against international targets

Paris Agreement

The Paris Agreement does not have a separate target for methane emissions and has an overall target of net zero emissions in the “second half of the century”. This overall target would also imply net zero methane emissions in the same timeframe. It is not possible to benchmark the SPT against the Paris Agreement directly.

Similarly, whilst Gasunie does not have a long term target for its methane emissions specifically, it has a general long term target for carbon neutrality in 2050, which should cover the methane emissions also. However, no reference to an external scientific or international standard on the emissions reduction trajectory for methane emissions has been provided for evaluation and benchmarking.

EU and national government targets

The EU Methane Strategy¹⁰ in 2020 refers to the methane reduction projections in the 2030 Climate Target Plan to achieve overall EU climate targets, which calls for 55% reductions in GHG emissions by 2030, compared with 1990 levels. Gasunie has stated that their emissions in 2020 are “close to 50%”¹¹ lower than their 1990 levels. Therefore, the SPT of a further 50% reduction between 2020-2030 would result in 2030 levels which are 75% lower than the 1990 levels. This level of reduction is more ambitious than the EU goals and also more ambitious than the Netherlands’ 2030 goal of 49% reductions, and Germany’s 2030 goal of 65% reductions, compared to 1990 levels.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2020 and provided annual data available from 2016 to 2020, going beyond the SLBP recommendation of providing 3 years of data.
- **Benchmarkable:** The KPI would be measured and reported using the Methane Guiding Principles and GHG Protocol for measuring and reporting. The SPT can therefore be benchmarked against industry peers and relevant international standards.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

Gasunie has proposed that they would be doing the following measures to achieve the SPT:

- Recompressing or flaring natural gas that would otherwise be vented
- Implementing LDAR (Leak Detection and Repair) program to reduce leaks
- Changing operational procedures, such as displacing natural gas with nitrogen

¹⁰ https://ec.europa.eu/energy/sites/ener/files/eu_methane_strategy.pdf

¹¹ From Framework

- Temporarily decommissioning surplus compressor stations to improve operational efficiency
- Introducing new equipment, such as regulating valves

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated is ambitious against past performance, because whilst the future annualized reductions are similar to the previous annual reductions, Gasunie explains that future reductions will be more difficult to achieve than previous reductions, which were mainly achieved through improved maintenance procedures. The SPT is ambitious against industry peers, because it is higher than the public targets announced by a number of industry peers selected by Gasunie and because the issuers is one of the few companies in the industry group as identified in the ISS ESG universe to have announced a target for methane emissions reductions. It is ambitious against the EU Methane Strategy and the Dutch and German national climate targets which refer to all GHGs generally. It is not possible to evaluate the SPT against the Paris Agreement, which refers to all GHG generally and does not specify methane emissions. The SPT is set in a clear timeline, benchmarkable and supported by a strategy and action plan.

ISS ESG suggests reference to “Best Available Technologies” to benchmark the SPT ambition level against, in the absence of external scientific references, as recommended by the SLBP. ISS ESG also suggests the mention of any key factors beyond the issuer’s direct control that may affect the achievement of the SPT.

1.3. KPI selection

KPI 2: Scope 1 & 2 greenhouse gas emissions

FROM ISSUER’S FRAMEWORK

KPI: Scope 1 and 2 greenhouse gas emissions (market based), measured by a total amount of emissions for a given full calendar year in kilotonnes of CO₂ equivalents.

Long-term goal: Carbon neutral by 2050

Rationale: Gasunie recognises its responsibility to significantly reduce its own carbon footprint in order to retain its ‘licence to operate’ and contribute to the targets of the Paris Agreement on Climate change. Its Scope 1 and 2 emissions (location based) account for 66% of the company’s total Scope 1, 2 and 3 emissions in 2020. Therefore, reducing them are key to the company’s long term climate targets.

Baseline: total Scope 1 and 2 greenhouse gas emissions (market based) of 313 kilotonnes of CO₂ equivalent

Baseline year: Calendar year 2020

Scope: Scope 1 and 2 emissions (market based) emissions for N.V. Nederlandse Gasunie (holding company), comprising the emissions of all operated entities: Gasunie Transport Services B.V., Gasunie Deutschland GmbH & Co. KG, BBL Company B.V., EnergyStock B.V. and Hynetwork Services B.V.

Materiality and relevance

“Facilitation of the Energy Transition” is considered a key ESG issue faced by the Gas and Electricity Network Operators sector according to key ESG standards¹² for reporting and ISS ESG assessment. As the Gasunie’s transported gas increasingly come from lower carbon sources in the future, it is important that Gasunie decarbonizes its own operations accordingly, to demonstrate its commitment to the energy transition and the industry’s climate goals.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Gasunie’s business as it demonstrates to its peers and clients its commitments to decarbonisation.
- **Core** to the issuer’s business as the emissions reduction measures affects key processes and operations that are core to the business model of the issuer (e.g. switching to different processes and technologies).
- **Material** to the issuer’s direct operations from an ESG perspective, but does not cover the entire corporate value chain, because it does not include the company’s Scope 3 emissions, which represent 34% (using location based approach for Scope 2 emissions to more realistically reflect the relative proportion of Scope 2, given that the company has completely decarbonised its Scope 2 with the use of renewable energy GoOs) of the company’s overall GHG emissions. It is to be noted that these Scope 3 emissions are not related to the consumption of the gas, as Gasunie does not sell the gas to the end user.

Consistency with overall company’s sustainability strategy

Gasunie fully supports the climate goals of the EU, the Netherlands and Germany. In 2020, it captured its strategy in its Vision 2030 strategy, which includes an investment of EUR 7 billion to enable the company’s reorientation from focusing on gas transmission to a focus on providing energy services. The new strategy includes decarbonising its operations as much as possible, with a longer term goal of carbon neutrality by 2050. Crucial to this decarbonisation pathway would be the reduction of its Scopes 1 and 2 GHG emissions.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company’s sustainability strategy.

Measurability

- **Material scope and perimeter:** The KPI selected covers the Scope 1 and 2 GHG emissions of all the entities in the holding company.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The methodology for calculating the KPI uses GHG emissions which are calculated in accordance with the GHG Protocol, and also includes emissions offsets attributed to purchased renewable electricity.

¹² Key ESG Standards include SASB and TCFD, among others.

- **Externally verifiable:** The KPI selected can be verifiable, because the methodology for calculating the KPI is transparent and the data will be verified by a qualified external auditor.
- **Benchmarkable:** The KPI is calculated using the GHG Protocol, with the inclusion of Guarantees of Origin for purchased renewable energy in a market based approach. Therefore it can be benchmarked against other references which also use the GHG Protocol.

***Opinion on KPI selection:** ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is material to the company's direct operations, but does not cover the entire corporate value chain, because it does not include the Scope 3 GHG emissions, which represent a 34% (using location based approach for Scope 2 emissions to more realistically reflect the relative proportion of Scope 2, given that the company has completely decarbonised its Scope 2 with the use of renewable energy GoOs). The KPI is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all the Scope 1 and 2 GHG emissions resulting from the operations and activities of Gasunie.*

1.3. Calibration of SPT

SPT 2: Reduction of Scope 1 and 2 GHG emissions

FROM ISSUER'S FRAMEWORK¹³

Sustainability Performance Target: Total Scope 1 and 2 greenhouse gas emissions (market based) in kilotonnes of CO₂ equivalent for the calendar year 2030 will not exceed the value derived via the following formula:

$$70 + (0.137 * \text{transported gas volume in TWh})$$

In this formula, the figure of 70 is related to the maximum level of fugitive methane emissions (in kilotonnes of CO₂ equivalent). The value 0.137 is related to the carbon intensity of other Scope 1 and 2 GHG emissions (market based) per TWh of natural gas transported.

Sustainability Performance Target Trigger: Scope 1 and 2 emissions in kilotonnes of CO₂ equivalents for the calendar year 2030

Sustainability Performance Target Observation Date: December 31, 2030, as well as annually

2020 Baseline: 313 kilotonnes of CO₂ equivalent

Rationale: The level of the SPT was chosen on the basis that it's feasible in terms of available technologies and cost effectiveness. The decision on the level of the SPT also took into account forward projections on relevant carbon prices.

Risks to the target: Gasunie's Scope 1 and 2 emissions are directly linked to external factors that the company might not be able to control, which poses a challenge. Due to the phasing out of the Groningen gas field, the supply of low-calorific natural gas at Gasunie entry points is falling faster

¹³ This information is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

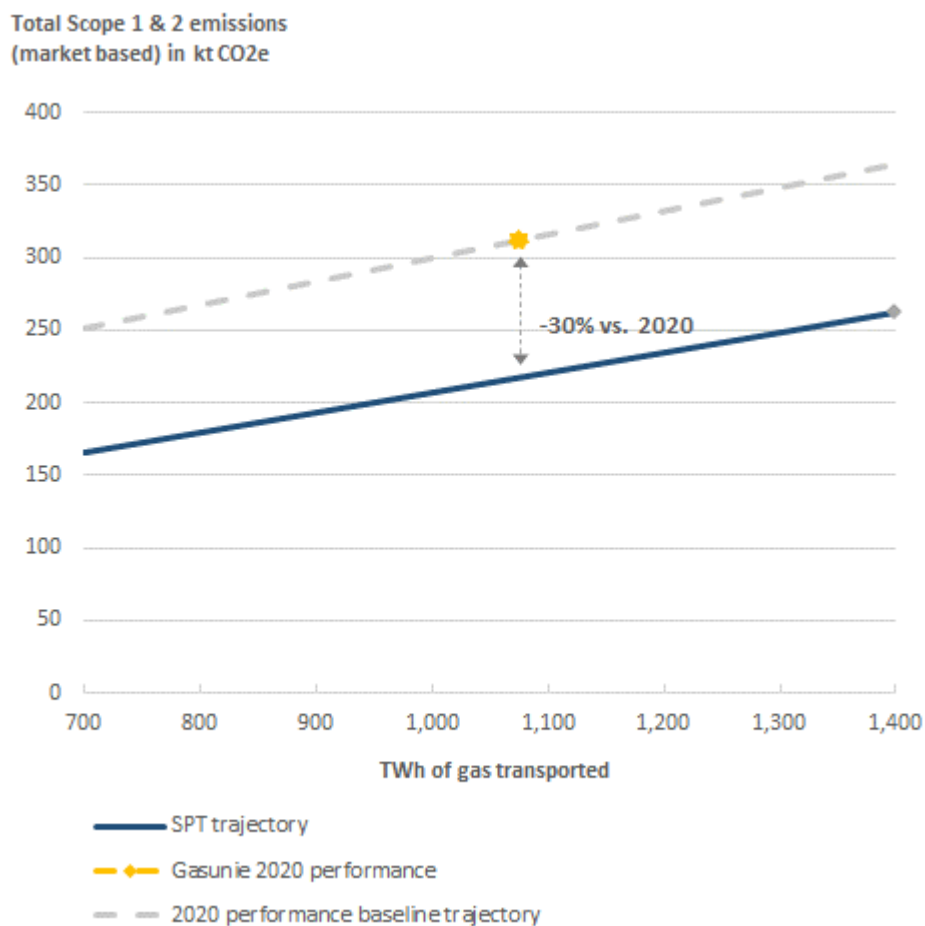
than the demand at the company’s exit points. This means that in the coming years, more and more high-calorific gas requires conversion into low-calorific gas. This conversion requires nitrogen to be added to the gas, which in turn requires more compression of gas. Both the production of nitrogen and compression increases Scope 1 and 2 emissions.

Ambition

Against company’s past performance

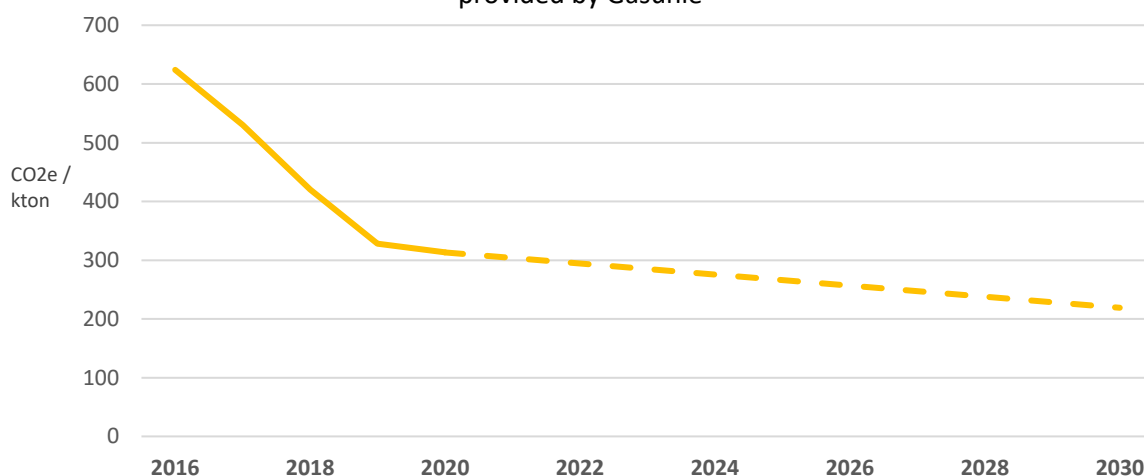
The SPT includes a consideration of the amount of gas which is transported in the company’s network, which may vary in the future. In essence, the SPT uses a carbon intensity metric, although the KPI is an absolute metric. The information provided by Gasunie in Fig 4, shows that if the amount of transported gas in 2030 is equivalent to the amount in 2020, then the SPT would imply a 30% reduction.

Figure 4 Scope 1 and 2 emissions in kt CO2e



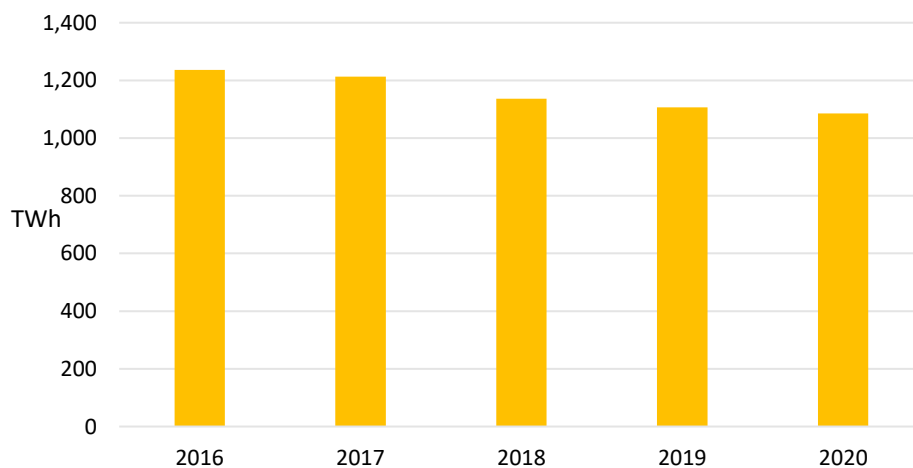
Gasunie’s Figure 5 below shows the past performance of the KPI, which had reduced by 50% between 2016-2020, primarily by increasing the use of Guarantees of Origin for purchased renewable energy. Combined with Figure 6, also provided by Gasunie, which shows the volume of transported gas has decreased approximately 10% over the same period, overall the KPI has reduced by approximately 45% between 2016-2020. Therefore a future reduction of 30% between 2020-2030 would be less rapid compared to the KPI’s performance over the period 2016-2020.

Figure 5. Scope 1 and 2 emissions, historical performance and 2030 SPT*, provided by Gasunie



Gasunie states that it had substantially reduced its emissions in recent years, primarily by purchasing Guarantees of Origin for renewable electricity generation. It will begin embarking on operational measures to reduce its emissions in other ways, which will be more costly and take more time to deliver. Some examples of how the further reductions may be achieved are mentioned at the end of this section. Therefore, whilst the rate of decline of the emissions between 2020-2030 will be less than between 2016-2020, the emissions reduction is still ambitious compared to past performance, because of this increased time and difficulty in achieving continued reductions.

Figure 6. Total gas transported (TWh), provided by Gasunie



**Note: Forecasted target assuming a transported volume of natural gas equal to 2020 (1,085 TWh). Figures from 2021 until 2029 are included for illustrative purposes and do not represent actual targets by Gasunie*

Against company's sectorial peers

In Fig. 7, data provided by Gasunie shows the 2020 performance of its KPI compared to 3 of its industry peers, as selected by Gasunie. These 3 peers are also European gas distribution companies. The yellow line, representing Gasunie, is lower than its peers in 2020 and lower than two peers in 2030. One of the peers has a target that only extends to 2025.

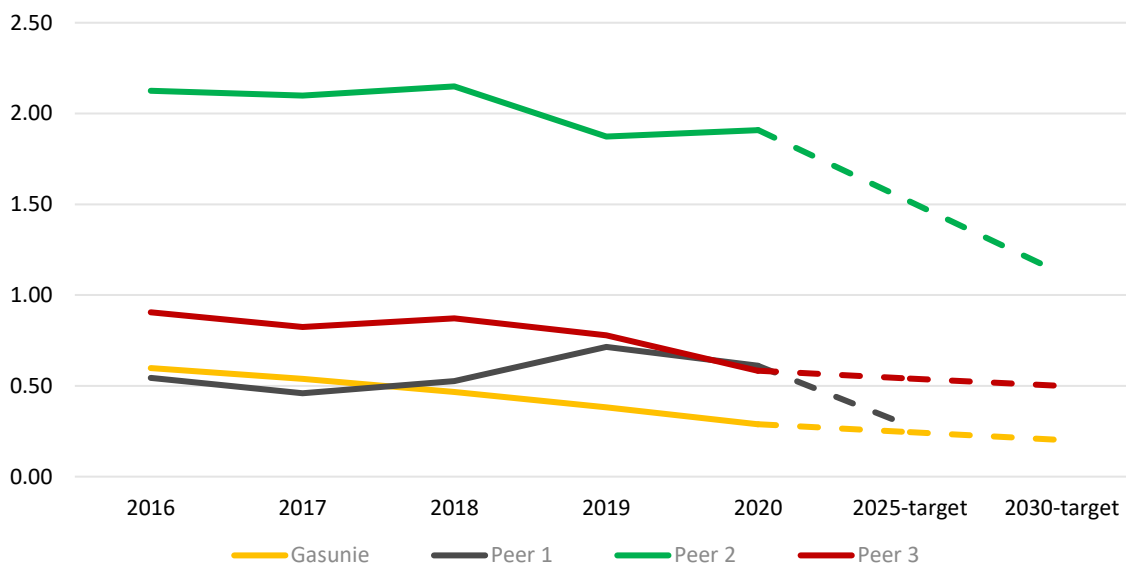


Figure 7 Scope 1 and 2 CO₂e emissions (per GWh of natural gas transported)

Additionally, ISS ESG reviewed the 23 companies wholly involved in the gas distribution (no electricity transmission) business, located worldwide, which are in the ISS ESG Universe. As of September 2021, 12 companies, including Gasunie, have public GHG reduction targets. Of these, 7 companies including Gasunie have shorter term targets (up to 2035) with defined reduction levels, in addition to longer term (2050) carbon neutrality and net zero emissions targets. The other 5 companies only have announced long term commitments for carbon neutrality or net zero emissions, which is difficult to define at this stage. Generally, shorter term targets are viewed as more robust and practical to achieve¹⁴. Therefore, a simple assessment shows that Gasunie is within the top 30% of the selected industry group, by having a public short term (up to 2035) Scope 1 and 2 GHG emissions reduction target.

ISS ESG concludes that the SPT is ambitious compared to its peers, in terms of being lower than the targets announced by the peers selected by Gasunie and also because it is within the 30% of the companies in its industry peer group in the ISS ESG universe with short term GHG emissions reduction targets, or within the 52% of the group with longer term GHG emissions reduction targets.

Against international targets

Gasunie states that the target level of Scope 1 and 2 emissions in 2030 (if transporting a similar amount of gas to 2020) would result in a reduction of 70% compared to the company's emissions in 1990. In comparison, relevant international climate targets for 2030 include EU's 55%, the Netherlands' 49% and Germany's 65% reduction targets compared to 1990 levels. Whilst ISS ESG acknowledges that the

¹⁴ <https://www.climateaction100.org/news/climate-action-100-issues-its-first-ever-net-zero-company-benchmark-of-the-worlds-largest-corporate-emitters/>

simple number of the emissions reduction in the SPT is larger than the EU and national climate targets, it is not possible to benchmark them directly because there are many differences between the GHG Protocol for a company and the national GHG accounting methods used at the country level. Therefore, a basic comparison using limited evidence shows that the SPT is ambitious against the EU and relevant national climate targets.

Paris agreement

Gasunie has a long term goal of carbon neutrality by 2050, which generally aligns with the stated aims of the Paris Agreement. Gasunie has stated their commitment to reconsider the ambition of the SPT when the SBTi methodology for the Oil and Gas sector, which is currently under development¹⁵, becomes available. Otherwise, no external evaluation of the SPT against the Paris Agreement has been conducted yet.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2020 and provided annual data available from 2016 to 2020, going beyond the SLBP recommendation of providing 3 years of data.
- **Benchmarkable:** The SPT can be benchmarked against external references because the KPI is calculated using the GHG Protocol and a market based approach for Guarantees of Origin for purchased renewable energy.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPT measurement.

Supporting strategy and action plan

Gasunie's Scope 1 GHG emissions are a direct effect of its own operations and are mainly driven by methane emissions and other emissions from gas fired compressors and compression engines, gas consumption for heating buildings and boilers at gas receiving stations. The majority of these emissions will be reduced by the introduction of a new nitrogen production plant and blending station, which can use electrically powered compressors powered by renewable electricity.

Its Scope 2 emissions include the indirect emissions of energy procured, mainly related to the use of electricity for electrical compressors and for the production of nitrogen. The Scope 2 emissions will be reduced primarily by purchasing renewable electricity in the form of Guarantees of Origin.

Gasunie has worked with a consultant to develop an action plan to support its decarbonisation strategy.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated by Gasunie is ambitious compared to the previous rate of reduction in the period 2016-2020, because as Gasunie explains, they had previously substantially reduced their GHG emissions and therefore future emissions reductions will be more difficult and costly to carry out. The SPT is ambitious against peers selected by Gasunie, as well as amongst Gasunie's industry peer group in the ISS ESG Universe.

¹⁵ <https://sciencebasedtargets.org/sectors/oil-and-gas>

It is currently not possible to benchmark the SPT against international targets such as the Paris Agreement, because the SBTi methodology for the Oil and Gas sector is currently in development or the EU, Dutch or German national climate targets, because of the incomparability of company and national climate targets. Otherwise, a basic comparison using limited evidence shows that the SPT is ambitious against the EU, Dutch and German targets. Gasunie has stated their commitment to reconsider the ambition of the SPT when the SBTi methodology, becomes available.

The achievement of the SPT is supported by a proposed strategy and action plan which has received inputs by an external consultant.

PART 2A: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

This Framework is an important next step for Gasunie to further align its financing strategy with its long-term strategic and sustainability objectives as outlined in its Vision 2030 outlook. It follows the structuring of a sustainability-linked loan in 2020 with its relationship banks.

The issuance of Sustainability-Linked Bonds will enable the company to further position its sustainability strategy and decarbonization commitments with its wider debt investor base. In doing so, it hopes to help stimulate the growth of the sustainable debt market and further attract ESG-focused investors to its credit profile.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Gasunie as aligned with the SLBPs. In particular, the issuer's prior experience of sustainability linked loans provides good insights for the issuer on the benefits and commitments related to issuing a sustainability linked bond.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection in Part 1 of this report.

Opinion for KPI 1 (Methane emissions)

ISS ESG finds that the KPI selected is core, relevant and material to Gasunie's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all of the operations and activities of Gasunie.

Opinion for KPI 2 (Scope 1 and 2 GHG emissions)

ISS ESG finds that the KPI selected is core and relevant to the issuer's business model and consistent with its sustainability strategy. The KPI is material to the company's direct operations, but does not cover the entire corporate value chain, because it does not include the Scope 3 GHG emissions, which represent 34% (using location based approach for Scope 2 emissions to more realistically reflect the relative proportion of Scope 2, given that the company has completely decarbonised its Scope 2 with the use of renewable energy GoOs) of the company's overall GHG emissions. The KPI is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers all the Scope 1 and 2 GHG emissions resulting from the operations and activities of Gasunie.

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of the SPTs in Part 1 of this report.

Opinion for SPT 1 (Reduction of methane emissions)

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated is ambitious against past performance, because whilst the future annualized reductions are similar to the previous annual reductions, Gasunie explains that future reductions will be more difficult to achieve than previous reductions, which were mainly achieved through improved maintenance procedures. The SPT is ambitious against industry peers, because it is higher than the public targets announced by a number of industry peers selected by Gasunie and because the issuer is one of the few companies in the industry group as identified in the ISS ESG universe to have announced a target for methane emissions reductions. It is ambitious against the EU Methane Strategy and the Dutch and German national climate targets which refer to all GHGs generally. It is not possible to evaluate the SPT against the Paris Agreement, which refers to all GHG generally and does not specify methane emissions. The SPT is set in a clear timeline, benchmarkable and supported by a strategy and action plan. ISS ESG suggests reference to “Best Available Technologies” to benchmark the SPT ambition level against, in the absence of external scientific references, as recommended by the SLBP. ISS ESG also suggests the mention of any key factors beyond the issuer’s direct control that may affect the achievement of the SPT.

Opinion for SPT 2: Reduction of Scope 1 and 2 GHG Emissions

ISS ESG finds that the SPT calibrated by Gasunie is ambitious compared to the previous rate of reduction in the period 2016-2020, because as Gasunie explains, they had previously substantially reduced their GHG emissions and therefore future emissions reductions will be more difficult and costly to carry out. The SPT is ambitious against peers selected by Gasunie, as well as amongst Gasunie’s industry peer group in the ISS ESG Universe.

It is currently not possible to benchmark the SPT against international targets such as the Paris Agreement, because the SBTi methodology for the Oil and Gas sector is currently in development, or the EU, Dutch or German national climate targets, because of the incomparability of company and national climate targets. Otherwise, a basic comparison using limited evidence shows that the SPT is ambitious against the EU, Dutch and German targets. Gasunie has stated their commitment to reconsider the ambition of the SPT when the SBTi methodology, becomes available.

The achievement of the SPT is supported by a proposed strategy and action plan which has received inputs by an external consultant.

2.3. Sustainability-Linked Bond Characteristics

FROM ISSUER’S FRAMEWORK

The failure to satisfy one or more of the Sustainability Performance Target(s) or their over-achievement, will impact the financial characteristics of Sustainability-Linked Bonds. The following sections outline the various approaches for impacting the financial characteristics of Sustainability-Linked Bonds. The applicable approach for impacting the financial characteristics for a given instrument will be specified in the Final Terms of the relevant documentation of the applicable Sustainability Linked Bond.

- **A coupon step-up or upward margin adjustment during the lifetime of the bond**

In case this approach is applicable, failure to meet one or more SPTs will result in an interest rate increase applicable to all interest periods following the observation date (starting therefore on the next coupon payment after observation date and applicable until maturity of the bond).

- **A coupon step-down or downward margin adjustment during the lifetime of the bond**

In case this approach is applicable, achievement of one or more of the SPTs will result in an interest rate decrease applicable to all interest periods following the observation date (starting therefore on the next coupon payment after observation date and applicable until maturity of the bond). The definition of over-achievement shall be included in the final terms of the relevant bond transaction.

- **A cash-premium payment at maturity of the bond**

In case this approach is applicable, failure to meet one or more SPTs will result in an additional cash payment on top of the principal amount to investors or lenders at maturity of the bond.

Opinion: ISS ESG considers the Sustainability-Linked Bond Characteristics description provided by Gasunie as aligned with the SLBPs. The issuer provides descriptions of the potential ways in which the financial characteristics of the bonds may change.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

Gasunie will communicate annually on the relevant KPIs and SPTs, including disclosure on up-to-date information such as baselines where relevant, on its website and/or annual report, as applicable.

Gasunie's integrated annual report, which already includes information on current sustainability performance, will additionally report on the performance of the selected KPIs (KPIs value as of 31st of December of the reporting year), including baselines and historical trajectory where relevant, covered by an assurance statement of the statutory auditor.

Additional to annual reporting, following the observation date of any of the Sustainability Performance Targets, a verification assurance report confirming the KPIs performance relative to the SPTs will be made available on Gasunie's website (Dutch and English versions).

On a regular basis, Gasunie will also disclose any information that enables investors to monitor the level of ambition of the SPTs. This shall include, for example: any update in the issuers sustainability strategy or on the related KPI/ESG governance, any relevant M&A activities which might impact SPTs, or, more generally, any information relevant to the analysis of the KPIs and SPTs. This information shall either be disclosed directly on Gasunie's website or included in relevant financial reporting.

Opinion: ISS ESG considers the Reporting description provided by Gasunie as aligned with the SLBPs. There are clear details around the timing of the KPI reporting as well as public disclosure of all the relevant information.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Independent assurance will be provided by a qualified external auditor, which will assess Gasunie's performance on the KPIs included in this framework on an annual basis as part of providing assurance on the integrated annual report of Gasunie.

A specific Verification Assurance Report will be provided by the auditor at time of a target observation date for a given SPT, based on which a potential adjustment of the financial characteristics of a specific Sustainability-Linked financial instrument will be triggered.

Opinion: ISS ESG considers the Verification description provided by Gasunie as aligned with the SLBPs. The issuer has committed to external verification of the KPI on an annual basis, as well as at the target observation date.

PART 2B: ALIGNMENT WITH ICMA CLIMATE TRANSITION FINANCE HANDBOOK (CTFH)

1. Climate Transition Strategy and Governance

Gasunie's issuance of the sustainability linked bonds will be used to finance the company's Vision 2030, which is the outline announced in 2020 of a new strategy to transform the company from a gas transmission company into an energy infrastructure company. Amongst the actions would be transporting lower carbon forms of gas, such as hydrogen, delivering heat energy to homes, invest into CO₂ storage solutions, and reducing its vented and fugitive methane emissions. Underpinning the strategy is a long term target of carbon neutrality by 2050, which matches the ambition of the Paris Agreement, with interim targets for 2030.

Opinion: ISS ESG finds that there is a clearly elucidated climate change strategy, which is also included in the Annual Report 2020. It is clear that the financing instruments will be used to support this strategy. There are details around the different actions that would contribute towards the overall strategy, which shows the company has carefully considered the strategy. Information has also been provided on how Gasunie acts to mitigate relevant environmental and social externalities and contribute to the UN SDGs, such as reusing materials, contributing to local biodiversity, and maintaining certain social policies over supplier selection. Gasunie's development and proposed investments into the different actions have received support and input from an external consultancy, which is technically qualified in this area, and which provides additional legitimacy. However, there is no external review of how the interim targets align with the long term target.

2. Business Model Environmental Materiality

Gasunie's business model centers on the transport of high carbon products which belong to its customers, for consumption by its end users. Its climate transition strategy focuses on enabling the transport of lower carbon products in its network, as well as decarbonizing its own operations.

Opinion: ISS ESG finds that both the areas of focus in the wider transition strategy and the decarbonisation metrics which form the basis of the sustainability-linked bonds are relevant to the environmentally material parts of the issuer's business model, as they directly impact the operations and require substantial investments. The transition strategy also takes into account potential future scenarios, such as a more rapid increase of hydrogen usage in the economy, and more rapid electrification of the economy, which may result in sharper decreases in gas usage, although they might not necessarily impact on current determinations concerning materiality.

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

The issuer's transition strategy:

- Is quantitatively measurable (based on a consistent measurement methodology over time)
- Is not aligned with, benchmarked or otherwise referenced to science-based trajectories

- Is publicly disclosed, such as in the Annual Report 2020
- Includes interim milestones for the purposes of the sustainability linked bonds
- not yet supported by independent assurance or verification by a qualified party

Gasunie had previously published a study “Infrastructure Outlook 2050”¹⁶, which projects what the energy infrastructure in the Netherlands and Germany may be like in 2050. The study is based on a number of scenarios created by private companies and research organisations. Therefore, to some extent, the company’s ensuing overall transition strategy is based on robust research and the product of diligent analysis and consideration.

Opinion: *ISS ESG finds that Gasunie’s overall transition strategy is broad and encapsulates many elements. For the purpose of the sustainability-linked bonds, two metrics in particular will be disclosed and form the basis of the interim targets. These are the fugitive and vented methane emissions from the gas distribution network, as well as the company’s Scope 1 & 2 GHG emissions. The methane emissions will be reported using the Methane Guiding Principles, which is an industry standard. The Scope 1 & 2 emissions are reported using the GHG Protocol. Therefore, both metrics can be readily benchmarked against peers or external reference points.*

Other than comparisons with the EU and relevant national government GHG emissions targets, no references to science based targets or pathways have been provided for the targets or the overall strategy. This is partly due to the fact that SBTi is currently in the process of creating a methodology for the fossil fuel sector. Gasunie has made the commitment to reconsider its interim emissions targets and trajectory when the SBTi methodology becomes available.

4. Implementation Transparency

Gasunie has stated that as part of its Vision 2030, it will invest EUR 7 billion to transform its business. Figure 8 shows the possible investments into various projects that the company will undertake to achieve this transformation.

¹⁶ <https://www.gasunie.nl/en/expertise/system-integration/infrastructure-outlook-2050>

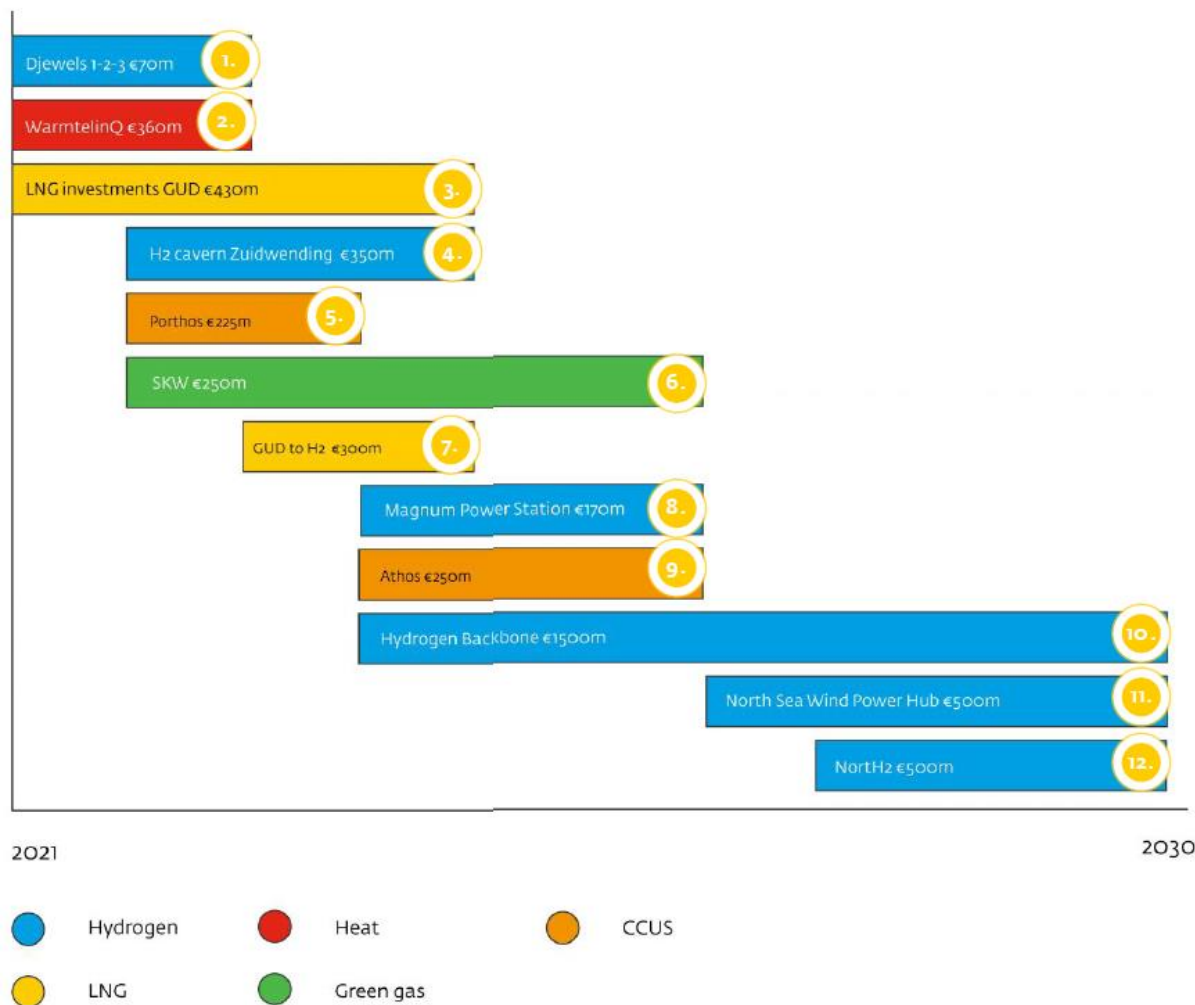


Figure 8 Proposed actions and related investments announced as part of Vision 2030¹⁷

Gasunie has worked with an external consultant to create this action plan, which involves planned expenditure and possible projects to help deliver the decarbonisation outcomes.

Opinion: ISS ESG finds there is a clear headline number for the overall investment into the transition strategy, as well as plans for various sums to be invested into different areas. The action plan, which has been created with the support of an external consultant, shows the company has analysed the feasibility of various options and necessary changes. ISS ESG suggests that these details and the progress of relevant investments be included in annual reporting from 2021 onwards, as recommended by the CTFH.

¹⁷ Gasunie Annual Report 2020 p 24

PART 3: LINK TO GASUNIE'S SUSTAINABILITY STRATEGY

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

COMPANY	SECTOR	DECILE RANK	STATUS	TRANSPARENCY LEVEL
GASUNIE	GAS AND ELECTRICITY NETWORK OPERATORS	2	PRIME	VERY HIGH

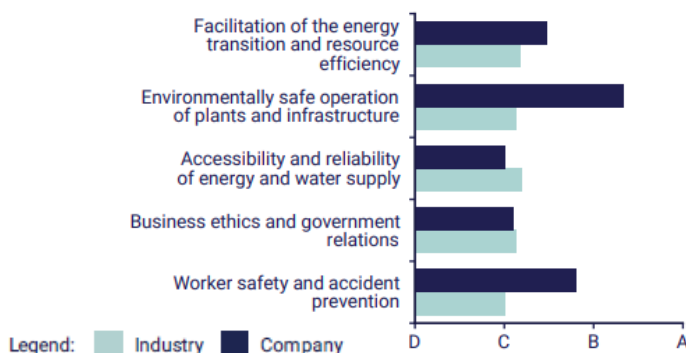
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by Gas and Electricity Network Operators sector and obtains a Decile Rank relative to industry group of 2, given that a decile rank of 1 indicates highest relative ESG performance out of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

ESG performance

As of 13.09.2021, this Rating places Gasunie 14th out of 52 companies rated by ISS ESG in the Gas and Electricity Network Operators sector.

Key Challenges faced by companies in term 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

Nederlandse Gasunie operates the natural gas transmission system for the Netherlands and the northern part of Germany. Natural gas is the cleanest-burning fossil fuel with much lower levels of carbon dioxide and air pollutant emissions than coal and oil. Yet, natural gas does not offer a long-term solution to the challenge of global warming as it is still responsible for a large share of total greenhouse gas emissions. However, the Dutch government aims to move away from natural gas to renewable gas. Expected production of green gas in the country is 2 billion cubic meters in 2030. As the company is state-owned and is obligated to transport this gas, its products will become more environmentally sustainable in the coming years. Nederlandse Gasunie supports this shift and is actively working to phase out natural gas and build sustainable networks, focusing on the development of biogas, hydrogen transport, district heating networks, and carbon capture and storage. Thus, compared to its peers, the company may offer further opportunities for achieving global sustainability objectives.

Sustainability Risks

For natural gas transmission system operators, the main sustainability issues are to adequately manage employee and contractor health and safety, and to maintain the integrity of natural gas assets, especially pipelines. Nederlandse Gasunie has implemented group-wide health and safety management structures; the consolidated accident rate for employees and contractors, while decreasing in recent years, is at a common industry level. Gasunie has in place an adequate approach to the operational integrity of its facilities, including planned inspections and maintenance operations, risk assessments that include High Consequence Areas analysis, replacement programs, prevention of unintentional third party damage, as well as fugitive methane emissions targets and advanced leak detection and repair technologies. The company also has a comprehensive strategy in place to tackle climate change, including setting greenhouse gas emissions reduction targets. The greenhouse gas emissions intensity has remained stable in recent years, while the company's energy intensity has increased.

Governance opinion

Nederlandse Gasunie's board of directors is fully independent, including the board chair, Pieter Duisenberg (as at July 1, 2021). Additionally, the board has established fully independent committees in charge of audit, nomination, and remuneration. The company discloses the individual compensation schemes for its executive management team, including performance-based long-term incentive components.

Regarding its governance of sustainability, Nederlandse Gasunie has not yet established an independent committee in charge of sustainability issues. However, relevant sustainability performance objectives, including those regarding employee safety and pipeline integrity, are integrated into the variable remunerations of members of the executive management team. Nederlandse Gasunie's code of conduct covers some relevant issues, including insider dealings, conflicts of interest, and gifts, favors and entertainment, in varying degrees of detail. Further relevant aspects, including corruption and antitrust violations are not covered. The company has implemented some procedures to ensure compliance with the code, such as confidential non-compliance reporting channels, business ethics awareness measures, and compliance audits.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG has assessed the contribution of Gasunie's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) as having no net impact on the SDGs. This analysis is limited to evaluation of final product characteristics and does not include practices along the Gasunie's production process.

Breaches of international norms and ESG controversies

The company is not facing any severe controversy.

DISCLAIMER

1. Validity of the SPO: As long as Gasunie's Sustainability-Linked Bond Framework remain unchanged
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: ISS ESG Corporate Rating

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

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

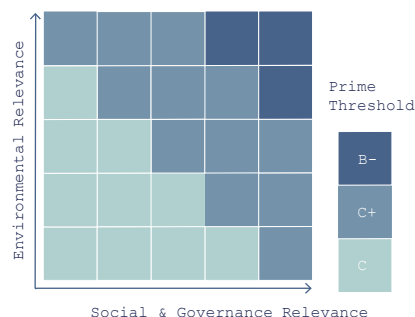
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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 2: Methodology

ISS 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.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Bond Framework of Gasunie, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of the Gasunie's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against Gasunie's own past performance, against Gasunie's peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris Agreement and the UN SDGs (according to the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Gasunie.

ANNEX 3: Quality management processes

SCOPE

Gasunie commissioned ISS ESG to compile a Sustainability-Linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with ICMA's Sustainability-Linked Bond Principles and the ICMA Climate Transition Finance Handbook and to assess the sustainability credentials of its Sustainability-Linked Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- ICMA Climate Transition Finance Handbook

ISSUER'S RESPONSIBILITY

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

- Framework

ISS ESG'S VERIFICATION PROCESS

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

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Bond to be issued by Gasunie based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and the ICMA Climate Transition Finance Handbook.

The engagement with Gasunie took place between July to September 2021.

ISS ESG'S BUSINESS PRACTICES

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

About ISS ESG SPO

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

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

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

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

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