



Verification of the Sustainability Quality of the Green Bond issued by Alliander NV

7 April 2016

Aim and Scope of this Second Party Opinion

Alliander NV commissioned oekom research to assist with the issuance of its Green Bond by verifying and confirming the sustainable added value of this bond using the criteria and indicators of a sustainability framework concept. The aim of this sustainability bond issuance is to facilitate energy transition, the expansion of renewable energies as well as efficient energy usage.

oekom research's mandate included the following services:

- Definition of a framework concept containing a clear description of eligible project categories and the social and environmental criteria assigned to each category for evaluating the sustainability-related performance of the projects (re-) financed through the proceeds of the bond.
- Verification of compliance of the (re-) financed projects with the verification framework criteria.
- Verification of the alignment of the (re-) financed projects with the Green Bond Principles.
- Verification of the Green Bond's alignment with the Climate Bond Standard's pre-issuance requirements.
- Review and classification of Alliander's sustainability performance on the basis of the oekom Corporate Rating.

Overall Evaluation of the Green Bond

oekom's overall evaluation of the Green Bond issued by Alliander is positive:

- The Green Bond's formal concept, defined processes and (announced) disclosures are aligned with the Green Bond Principles (Part I of this Second Party Opinion).
- The Green Bond's asset selection, internal processes and controls as well as (announced) reporting are aligned with the pre-issuance requirements of the Climate Bond Standard (Part II of this Second Party Opinion).
- The overall sustainability quality of the bond and the sustainability performance of each of the funded assets in terms of sustainability benefits and risk avoidance and minimisation is good (Part III of this Second Party Opinion).
- The issuer itself shows a good sustainability performance (Part IV of this Second Party Opinion).

The overall sustainability quality of the projects included in the bond is good. There are some aspects which could be improved in order to add to the overall quality: Firstly, energy efficiency in data centres could be fostered. Secondly, supplier management could be optimised and/or made more transparent, e.g. regarding follow up processes after audits.

Regarding some of the issues that could be improved, Alliander has already started several good initiatives in order to further enhance the sustainability of its projects. Alliander and other Dutch distribution system operators started the 'Fair Meter Initiative' in 2012, an initiative aimed at sustainable practices along the smart meter supply chain and Alliander signed the "Green Deal Fair Meter" in 2013. For example, Alliander has started working closely with suppliers to develop a circular model for smart meters in order to improve the environmental footprint of the devices. Another example is Alliander's effort to eliminate raw materials from controversial sources (i.e. "conflict minerals"), hereby making the meters more socially responsible.

Part I – Green Bond Principles

1) Use of Proceeds

The proceeds of this Green Bond will be used exclusively to refinance and finance projects falling under a defined Green Bond Verification Framework. This framework covers three eligible project categories: Smart grids, green buildings and heating networks.

From a sustainability point of view, the projects are positive: Smart grids, green energy efficient buildings and heating networks contribute to climate protection and foster the transition towards a low carbon economy. Additionally, the projects meet certain environmental and social standards (see part III of this document), which assure that a positive impact is not impaired by adverse impacts and effects in other areas (e.g. environmental impacts, impacts on customers).

Within the smart grid project, Alliander firstly installs smart meters at customers. The smart meters record customers' energy consumption (electricity and gas) several times a day and communicate that information to allow for exact monitoring and billing. Secondly, sensors and computer technology are deployed in the grid in order to optimize and improve grid management. Thirdly, in cooperation with several partners, Alliander sets up a fibre-optic network for communication between substations as well as a wireless network (CDMA) for communication between smart meters and the smart grid. The wireless network is able to read out information from the most recent type of smart meter.

The project category green building comprises of sustainable, energy efficient buildings.

Within the heating networks project category, Alliander constructs heat transport mains connecting waste incinerators with district heating networks.

For the allocation of proceeds from this Green Bond issuance projects from two categories from the Green Bond Verification Framework have been chosen: The proceeds will be used to (re-) finance the installation of a smart grid and a large-scale renovation of a company building according to green standards. All projects are situated in the Netherlands.

	Project Area	Project Steps and Schedule		Projects included in this Green Bond Portfolio	Share of Bond Issuance
A	Smart Grids	Telecom network	2013: Start of construction of fibre-optic network	✓ yes	EUR 48m (20%)
		Telecom network	2013: Start of construction of wireless network (CDMA)	✓ yes	EUR 30m (13%)
	Substation automation	2013: Start of sensor and technology deployment in mid- and high-voltage grid	✗ no	EUR 0 (0%)	

	Project Area	Project Steps and Schedule	Projects included in this Green Bond Portfolio	Share of Bond Issuance
A	Smart Grids	Smart meter 2013: Start of small-scale smart meter deployment 2016: Start of large-scale smart meter deployment 2020 target: Offer smart meters to all customers	✓ yes	EUR 157m (67%)
TOTAL smart grids				EUR 235m (82%)
B	Green Buildings (renovation)	2014 – 2015: Re-development of Alliander premises in Duiven	✓ yes	EUR 53m (18%)
C	Heating Networks	-	✗ no	EUR 0 (0%)
TOTAL all categories				EUR 288m
Further proceeds to be allocated to one of the categories in 2016				EUR 12m
TOTAL ISSUANCE				EUR 300m

2) Process for Project Evaluation and Selection

The selection of the projects is carried out by Alliander's CSR department in cooperation with Corporate Reporting & Control based on expected amounts (investments in the past 3 years plus projected investments) and a clear contribution to energy transition or a clear contribution towards reducing CO2 emissions or facilitating the reduction thereof.

In addition, oekom research has designed a framework of criteria allowing for a detailed evaluation of the selected projects. This verification framework is presented in Part III and Annex 1 of this document.

3) Management of Proceeds

The total volume of the issuance is EUR 300m. Alliander states that the proceeds from its first Green Bond will be used for refinancing the named, clearly defined projects and to finance future projects that are eligible according to the Green Bond Verification Framework. Furthermore, Alliander will track the proceeds of the projects and earmark the amounts (re-) financed with the bond within its internal systems. The net proceeds will be allocated as follows: for existing projects being refinanced through this Green Bond issuance the proceeds will be allocated directly. The remaining unallocated proceeds will be invested into money market funds until the allocation to new eligible projects.

Alliander will appoint an external auditor in order to provide assurance on the use of proceeds of the bond.

4) Reporting

Alliander commits to report one-off towards the Green Bond's investors and commits to renew this reporting in case of material changes. The reporting will take place one year after the issuance. The reporting will be made available within the investor relations' section on Alliander's website. Alliander will provide qualitative description of projects as well as information on the amounts invested.

Alliander commits to report on the following impact indicators (one-off):

- Smart grids: Total number of smart meters installed at customers
- Green buildings: Average primary energy consumption (in MJ/m²) compared to the Dutch average and CO₂ emissions
- Heating networks: Total annual supply of district heating (in GJ) and CO₂ emissions (not financed with current issuance)

Part II – Climate Bond Standard

As described in Part I – Green Bond Principles – Alliander will use the proceeds from its first Green Bond for (re-) financing the installation of a smart grid and a complete renovation of a company building according to green standards. Due to the fact, that the Climate Bond Initiative (CBI) has so far not defined technical criteria for all project categories of this Green Bond, no verification against the Climate Bond Standard is possible. However, oekom research has assessed the Green Bond's alignment with the general Climate Bond Standard's pre-issuance requirements. For this assessment, oekom research has reviewed information and documents provided by Alliander, partly on a confidential basis.

1) Selection of nominated projects and assets

All projects to be included in Alliander's Green Bond fall into the Climate Bond Taxonomy. Alliander has documented the nominated projects and their eligibility. Furthermore, the greater share of net proceeds will be used to refinance existing projects. The remaining proceeds will be allocated to future projects falling under the defined Green Bond Verification Framework. In total, Alliander will ensure that the net proceeds do not exceed the debt obligation of all projects.

Overall, Alliander has established and documented a selection process for nominating projects and assets in line with the CBI provisions. These include establishing a decision-making process to determine the eligibility of nominating projects, assessing and documenting the eligibility of proposed nominated projects and ensuring that the net proceeds do not exceed the debt obligation.

2) Internal processes and controls

Alliander has documented and disclosed to oekom research its systems, policies and processes for management of bond funds and investments in line with the CBI provisions. Details on the tracking of proceeds, the management of unallocated proceeds and earmarking of funds to nominated projects and assets are provided in Part I – Green Bond Principles.

3) Reporting prior to issuance

Alliander has furthermore disclosed to oekom research its proposed reporting prior to issuance. This also fulfils the general Climate Bond Standard's pre-issuance requirements. Namely, Alliander will disclose to (potential) investors prior to issuance the project categories and that these fall into the Climate Bond Taxonomy. Alliander will further disclose that the greater share of the net proceeds will be directly allocated to the projects being refinanced and that unallocated proceeds will be invested into money market funds.

The additional CBI requirements in this category are not applicable for this Green Bond. The CBI further requires disclosure of the CBI pre-issuance verification approach and a periodic assurance approach. Due to the fact that the Green Bond is not verified against the Climate Bond Standard, no reporting on the verification is necessary prior to issuance.

oekom research has found that the pre-issuance requirements of the Climate Bond Standard are met.

Part III – Sustainability Quality of the Green Bond

1) Green Bond Verification Framework

The Green Bond Verification Framework helps to illustrate the sustainability quality and thus the social and environmental added value of Alliander's Green Bond issuance. The verification framework clearly defines the eligible categories and encloses specific sustainability criteria in order to verify the sustainability performance of the Green Bond. With the use of quantitative indicators the sustainability performance of the bond can be measured, ambitious targets set and progress reported. In addition, impact indicators provide investors with concrete information on environmental added value (e.g. number of smart meters installed). Details on the individual criteria and indicators for the three project categories can be found in Annex 1 „Green Bond Verification Framework“.

2) Verification of the Projects Refinanced by the Green Bond

Methods

oekom research has verified whether the projects funded through the bond match the project categories and criteria listed in the Green Bond Verification Framework.

The verification of refinanced projects was carried out using information and documents provided to oekom research, partly on a confidential basis, by Alliander (e.g. detailed project portfolios, internal policies).

All percentages within the evaluation refer to the share of the refinanced project/s that fulfil/s the requirements of the respective indicator (i.e. issuance volume related the project's/projects' share within one project category).

Findings

A. Smart grids

Sustainability Risks and Benefits of the Project Category

Smart grids can play an important role in energy transition through the modernisation of electricity transmission and distribution. Rising energy demands (e.g. because of e-mobility) and increasing energy generation from decentralised and renewable sources with varying power output, peak times and peak load pose an increasing challenge to energy distribution. Smart grids allow balancing of supply and demand of energy, making a more efficient and dynamic use of grid operations and the integration of more sustainable forms of energy possible. This can also lower the need for expensive standby power plants, which are mostly fossil fuelled. Further, digital information and controls technology can offer energy and cost savings to consumers, as they can monitor and adjust energy use with the help of smart meters and home energy management systems.

On the other hand, smart grids and the relevant technology pose potential social and environmental risks. Social risks mainly stem from data and information security, meaning that good policies and processes need to be established in order to enhance customer privacy, cyber security and the reliability of the system. As smart grids include a large amount of electronic devices (e.g. smart meters), ensuring high social and environmental standards in the supply chain is another crucial issue. Regarding environmental risks, energy efficiency in telecommunication networks and data centres is key, as the greenhouse gas footprint of the information and communications technology sector – especially of data centres – is predicted to rise. Lastly, when planning and constructing the smart grid's infrastructure, insufficient consideration of the local community and environmental concerns represent another risk that needs to be tackled.

- A.1. Consideration of environmental aspects during planning and construction of telecom networks
 - ✓ For 90% of wireless telecom networks, antennas are placed alongside existing objects (e.g. masts, buildings). For the remaining 10% of wireless networks, only little information is available regarding the mitigation of environmental impacts of the newly added infrastructure.
 - ✓ No newly constructed infrastructure for wireless telecom networks is located in biodiversity areas.
 - ✓ For 80% of newly laid fibre-optic cables, the location in biodiversity areas can be excluded. For the remaining 20% of newly constructed fibre-optic cables, only little information is available regarding location in biodiversity areas and/or mitigation of environmental impacts of the newly added infrastructure.
- A.2. Community dialogue during planning and construction of telecom networks
 - ✓ For 62% of relevant projects (i.e. the fibre-optic network), adequate standards for the consideration of local residents' interests are in place (e.g. information of the residents prior to construction activities, provision of contact details). For 38% of relevant projects (i.e. the wireless network), it remains unclear whether pro-active involvement of local residents is in place.

- A.3. Energy efficiency and renewable energy use in telecom networks
 - Only for 38% of relevant projects (i.e. 100% of the wireless network), high standards regarding energy efficiency and renewable energy use in data centres are in place (e.g. airflow management, optimisation of cooling and use of renewable energy). No information is available on the remaining 62% of relevant projects (i.e. 100% of fibre-optic projects).
 - ✓ For 100% of relevant projects, high standards regarding energy efficiency in transmission networks are in place (e.g. state-of-the-art technology).
- A.4. Social aspects of smart meters
 - ✓ For 100% of relevant projects, measures to encourage customers to use energy saving potentials are in place (e.g. information provided online).
- A.5. Environmental aspects of smart meters
 - No information is available on the reduction and/or elimination of substances of concern in financed smart meters. For future contracted projects, initiatives have been developed to reduce and/or eliminate substances of concern in smart meters.
 - ✓ For 100% of financed smart meters, longevity is considered when purchasing smart meters. At the end-of-life stage, smart meters are disassembled and recycled to a high degree. Furthermore, initiatives are in place to develop a circular model for smart meters.
 - ✓ 100% of conventional energy meters are disassembled and recycled to a high degree when replaced by a smart meter.
- A.6. Working conditions during construction and maintenance
 - ✓ For 100% of relevant projects, high standards regarding labour rights and health and safety are ensured since the implementing company shows good performance regarding working conditions and work is carried out in countries with high labour and health and safety standards (e.g. Dutch Working Conditions Legislation).
- A.7. Standards for supply chain management
 - ✓ For 100% of projects, good and binding labour and health and safety standards are applied within the supply chain. No adequate standards regarding wages and working times are applied.
 - ✓ For 100% of projects, good and binding environmental standards (e.g. minimisation of environmental impact) are applied within the supply chain.
 - ✓ 67% of suppliers (100% of smart meter suppliers) have an environmental management system in place. For the remaining 33% of suppliers no information on the implementation of an environmental management system is available.
 - ✓ For 67% of suppliers (100% of smart meter suppliers) audit schemes in order to verify compliance are in place. For the remaining 33% of suppliers no information on audit schemes is available.
 - No detailed information on further compliance measures (e.g. training schemes, follow up after audits) is available.
 - As policies regarding the responsible sourcing of natural resources extracted in conflict zones are currently being developed, such policies were not yet applied to the refinanced projects. For future projects, measures have been implemented in order to eliminate conflict minerals and materials (e.g. Alliander states that future contracted smart meter models are declared “conflict free” by suppliers).

- A.8. Standards for data protection and security
 - ✓ For 100% of relevant projects, adequate standards for data protection regarding user consent, purpose of the data collection, data minimisation and access are ensured through legal guidelines (Dutch Personal Data Protection Act “Wbp”). Furthermore, Alliander’s processes regarding data received from smart meters underwent a privacy audit and obtained „Privacy audit-proof” standard which confirms the implementation of the Wbp.
 - ✓ For 100% of relevant projects, sufficient elements of an information security management system are in place (e.g. risk assessments, policies, encryption of data).
- A.9. Business continuity management
 - ✓ For 100% of relevant projects, sufficient elements of a business continuity management system are in place (e.g. redundant connectivity, power back-up, risk reports, crisis plans). For future projects, a comprehensive business continuity management (based on ISO 22301) is currently being rolled out.

Impact indicator: 882.478 smart meters have been deployed by 31 December 2015.

B. Green buildings (renovation)

Sustainability Risks and Benefits of the Project Category

Green buildings are beneficial from an environmental point of view as they contribute to climate protection through optimised energy efficiency and air quality. Further, sustainable buildings help to conserve natural resources and reduce environmental impact through the reduction of waste and wastewater. From a social point of view, sustainable buildings can improve occupant health and comfort.

At the same time, there are possible sustainability risks that need to be taken into account. Possible social risks stem from working conditions at construction sites during renovation works and the safety of building users. Environmental risks stem from possible negative impacts from construction materials as well as from poor resource efficiency during renovation and at the use stage.

- B.1. Social standards for construction
 - ✓ The Collective Bargaining Agreement for the Construction Industry 2015 (“CAO voor de Bouwnijverheid”) provides binding and adequate standards including minimum paid annual leave, minimum rates of pay, maximum working hours per week and day and minimum rest periods.
 - ✓ The Dutch Working Conditions Legislation (“Arbo Legislation”) ensures adequate working conditions regarding health and safety, including special regulations regarding construction sites.
- B.2. Environmental standards for construction
 - ✓ The building project meets high environmental standards during the construction phase (e.g. waste management, noise emissions, energy consumption).
- B.3. Sustainable building materials
 - ✓ Within the building project sustainable materials are integrated (e.g. very high share of recycled and reused materials and appliances).
- B.4. Safety of building users
 - ✓ The Dutch Building Decree ensures the operational safety of constructional features of the building (e.g. fire safety, elevator safety).
- B.5. Water use minimisation in buildings
 - ✓ Sufficient measures to reduce water use are applied within the building project (e.g. efficient water usage of bathroom appliances, water recycling).
- B.6. Energy efficiency of buildings
 - ✓ The building project achieved a high score in an energy efficiency rating and is an energy neutral building (i.e. the production of electricity by e.g. large-scale installation of solar panels equals at least the building usage of energy).
- B.7. Labels / Certificates
 - ✓ The building project obtained a BREEAM “outstanding” certificate (reaching a total score of 87.36%).

Part IV – Assessment of Alliander’s Sustainability Performance

In the oekom Corporate Rating with a rating scale from A+ (excellent) to D- (poor), Alliander was awarded a score of B and classified as “Prime”. This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by oekom research. In oekom research’s view, the securities issued by the company thus all meet the basic requirements for sustainable investments.



As at 04.04.2016, this rating puts Alliander NV in place 5 out of 171 companies rated by oekom research in the utilities sector.

In this sector, oekom research has identified the following issues as the key challenges facing companies in term of sustainability management:

- Climate protection, renewables and resource efficiency
- Safe operation of plants and infrastructure
- Reliable energy and water supply for the entire population
- Business ethics
- Worker safety and accident prevention

In four out these five key issues, Alliander NV achieved a rating that was above the average for the sector.

As at 04.04.2016, external research did not reveal any controversies relating to Alliander’s business practices.

Details on the rating of the issuer can be found in Annex 2 “Issuer rating results”.

A handwritten signature in blue ink, appearing to read 'J. Geyer', is written over a faint, light-colored stamp or watermark.

oekom research AG
Munich, 7 April 2016

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2. 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 oekom research AG 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.
3. 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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About oekom research

oekom research is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries with regard to their environmental and social performance. oekom research has extensive experience as a partner to institutional investors and financial service providers, identifying issuers of securities and bonds which are distinguished by their responsible management of social and environmental issues. More than 100 asset managers and asset owners routinely draw on the rating agency's research in their investment decisionmaking. oekom research's analyses therefore currently influence the management of assets valued at over 600 billion euros.

As part of our Green 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 verify the compliance with the criteria in the selection of projects and draw up an independent second party opinion so that investors are as well informed as possible about the quality of the loan from a sustainability point of view.

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Annexes

- Annex 1: oekom Green Bond Verification Framework
- Annex 2: oekom Corporate Rating Alliander NV

Annex 1: Green Bond Verification Framework

Green Bond Verification Framework

The Green Bond Verification Framework helps to illustrate the sustainability quality and thus the social and environmental added value of Alliander's Green Bond issuance. The verification framework clearly defines the eligible categories and encloses specific sustainability criteria in order to verify the sustainability performance of the Green Bond. With the use of quantitative indicators the sustainability performance of the bond can be measured, ambitious targets set and progress reported. In addition, impact indicators provide investors with concrete information on environmental added value (e.g. number of smart meters installed).

Use of Proceeds

- A. Smart grids
- B. Green buildings (renovation)
- C. Heating networks

Sustainability Criteria and Quantitative Indicators for Use of Proceeds

In order to ensure that the environmental and social risks linked to the (re-) financed projects are prevented and the opportunities clearly fostered, a set of sustainability criteria has been established for each project category. Possible quantitative indicators, allowing for measurement of progress and regular reporting, complete each criterion.

Project category A: Smart grids

A.1. Consideration of environmental aspects during planning and construction of telecom networks

Quantitative indicators:

- Percentage of funds allocated to projects that underwent environmental impact assessments at the planning stage.
- Percentage of funds allocated to projects for which the location in key biodiversity areas can be excluded (e.g. exclusion of Ramsar sites, UNESCO Natural World Heritage, IUCN protected areas I-IV).
- Percentage of funds allocated to projects that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact).

A.2. Community dialogue during planning and construction of telecom networks

Quantitative indicator:

- Percentage of funds allocated to projects that feature community dialogue as an integral part of the planning process and construction phase (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).

A.3. Energy efficiency and renewable energy use in telecom networks

Quantitative indicators:

- Percentage of funds allocated to projects for which high standards regarding energy efficiency and renewable energy use in data centres are in place (e.g. energy efficient IT-equipment, airflow management).
- Percentage of funds allocated to projects for which high standards regarding energy efficiency and renewable energy use in transmission networks are in place.

A.4. Social aspects of smart meters

Quantitative indicators:

- Percentage of funds allocated to projects for which measures to encourage customers to use energy saving potentials are in place.

A.5. Environmental aspects of smart meters

Quantitative indicators:

- Percentage of funds allocated to projects for which substances of concern in smart meters are reduced and/or eliminated.
- Percentage of funds allocated to projects that meet high environmental standards regarding the end-of-life stage of smart meters (e.g. longevity, take-back and recycling of smart meters).
- Percentage of funds allocated to projects that meet high environmental standards regarding take-back and recycling of conventional energy meters after replacement by a smart meter.

A.6. Working conditions during construction and maintenance

Quantitative indicators:

- Percentage of funds allocated to projects with high labour and health and safety standards for construction and maintenance work conducted by own employees and contractors (e.g. ILO core conventions).
- Occurrence of fatal accidents and annual accident rate related to construction and maintenance work (own employees and contractors) at project sites.

A.7. Standards for supply chain management

Quantitative indicators:

- Percentage of funds allocated to projects for which high labour and health and safety standards are applied in the supply chain (e.g. ILO core conventions).
- Percentage of funds allocated to projects for which high environmental standards are applied in the supply chain (e.g. environmental management system, resource efficiency).
- Percentage of funds allocated to projects for which procedures to ensure compliance with supplier standards are in place (e.g. risk assessments, audits, training).
- Percentage of funds allocated to projects for which a policy on the responsible sourcing of natural resources extracted in conflict zones is in place.

A.8. Standards for data protection and security

Quantitative indicators:

- Percentage of funds allocated to projects for which high standards for data protection are in place (e.g. regarding user consent and purpose of data collection, data minimisation, retention and access).
- Percentage of funds allocated to projects for which an information security management system is in place.

A.9. Business continuity management

Quantitative indicator:

- Percentage of funds allocated to projects for which a business continuity management system is in place.

Controversies

- Description of possible controversies (e.g. due to labour rights violations, environmental accidents, adverse biodiversity impacts).

Impact indicator:

- Total number of smart meters installed at customers.

Project category B: Green buildings (renovation)

B.1. Social standards for construction

Quantitative indicator:

- Percentage of funds allocated to building projects with high labour and health and safety standards for construction work conducted by direct employees and contractors of the implementing construction companies (e.g. ILO core conventions).

B.2. Environmental standards for construction

Quantitative indicator:

- Percentage of funds allocated to building projects for which resource efficiency (e.g. water, energy) and adequate management of waste is guaranteed by the implementing construction companies.

B.3. Sustainable building materials

Quantitative indicator:

- Percentage of funds allocated to building projects for which sustainable procurement measures regarding building materials are in place (e.g. recycled materials, third-party certification of wood based materials).

B.4. Safety of building users

Quantitative indicator:

- Percentage of funds allocated to building projects for which the operational safety is ensured by constructional measures (e.g. fire safety, elevator safety).

B.5. Water use minimisation in buildings

Quantitative indicator:

- Percentage of funds allocated to building projects for which measures to reduce water use are in place (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).

B.6. Energy efficiency of buildings

Quantitative indicator:

- Percentage of funds allocated to building projects for which energy efficiency improved / will improve by at least 20% after renovation.

B.7. Labels / Certificates

Quantitative indicator:

- Percentage of funds allocated to building projects that obtained a BREEAM “Very Good”, DGNB „Gold“, LEED “Gold” certificate or HQE „excellent“ label.

Controversies

- Description of possible controversies (e.g. due to labour rights violations, environmental accidents, adverse biodiversity impacts).

Impact indicators: Energy consumption and avoidance of CO₂ emissions

- Average primary energy consumption (in MJ/m²) compared to the Dutch average.
- CO₂ emissions (will be further defined after issuance).

Project category C: Heating networks

C.1. Consideration of environmental aspects during planning and construction

Quantitative indicators:

- Percentage of funds allocated to projects that underwent environmental impact assessments at the planning stage.
- Percentage of funds allocated to projects that meet high environmental standards and requirements during the construction phase (e.g. noise mitigation, minimisation of environmental impact).

C.2. Working conditions during construction and operation

Quantitative indicators:

- Percentage of funds allocated to projects with high labour and health and safety standards for construction work conducted by own employees and contractors (e.g. ILO core conventions).
- Percentage of loans allocated to projects with high labour and health and safety standards for operational tasks conducted by own employees and contractors (e.g. ILO core conventions).

Controversies

- Description of possible controversies (e.g. due to labour rights violations, environmental accidents, adverse biodiversity impacts).

Impact indicators: Supply of district heating and CO₂ emissions

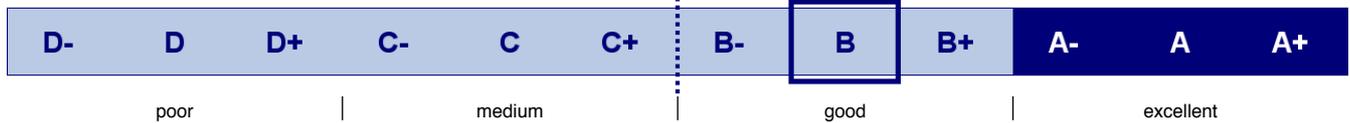
- Total annual supply of district heating (in GJ).
- CO₂ emissions (will be further defined after issuance).

oekom Corporate Rating

Alliander NV

Industry: Utilities
 Country: Netherlands
 ISIN: XS0423530350
 Bloomberg Ticker: 1325Z NA Equity

Status **Prime**
 Rating **B**
 Prime Threshold **B-**



Competitive Position

Industry Leaders

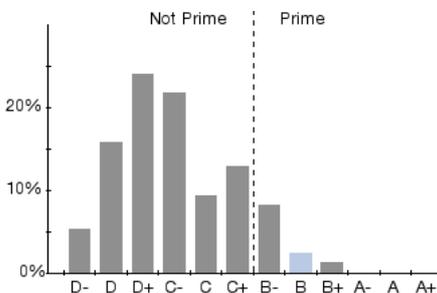
(in alphabetical order)

- REN - Redes Energeticas Nacionais SGPS SA (PT) **B+**
- Terna Rete Elettrica Nazionale SpA (IT) **B+**
- Verbund AG (AT) **B**

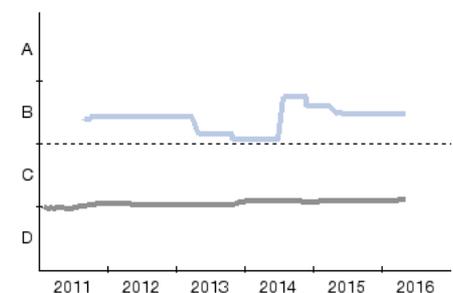
Company Industry

Distribution of Ratings

(172 companies in the industry)

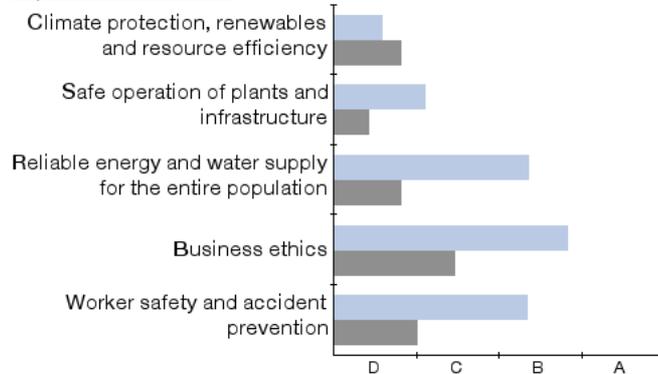


Rating History



Key Issues

Key Issue Performance



Strengths and Weaknesses

- + comprehensive strategy to integrate renewable energy sources in the electricity grid
- + adequate programmes to support socially disadvantaged customers and customers with payment problems
- + no fatal accidents of employees or contractors in recent years
- + reasonable measures taken to prevent leakage of gas transmission and distribution systems
- only limited information publicly disclosed on participation in public policy making and lobbying activities
- increasing carbon intensity of power distribution activities

Controversy Monitor

Company

Controversy Score 0
 Controversy Level Minor



Industry

Maximum Controversy Score -48
 Controversy Risk Severe



Disclaimer

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Methodology - Overview

oekom Corporate Rating	<p>The oekom Universe comprises more than 3,500 companies (mostly companies in important national and international indices, but also small & mid caps drawn from sectors with links to sustainability as well as significant non-listed bond issuers).</p> <p>The assessment of the social and environmental performance of a company is generally carried out with the aid of approx. 100 social and environmental criteria, selected specifically for each industry. All criteria are individually weighted, evaluated and aggregated to yield an overall score (Rating). In case there is no relevant or up-to-date company information available on a certain criterion, it is graded with a D-.</p> <p>In order to generate a comprehensive picture of each company, our analysts collect information relevant to the rating both from the company itself and from independent sources. During the rating process, considerable importance is attached to cooperating extensively with the company under evaluation. Companies are regularly given the opportunity to comment on the results and provide additional information.</p> <p>An external rating committee assists the analysts at oekom research with the content-related design of industry-specific criteria and carries out a final plausibility check of the rating results at the end of the rating process.</p>
Controversy Monitor	<p>The oekom Controversy Monitor is a tool for assessing and managing reputational and financial risks associated with companies' negative environmental and social impacts.</p> <p>The controversy score is a measure of the number and extent of the controversies in which a company is currently involved: all controversial business areas and business practices are assigned a negative score, which varies depending on the significance and severity of the controversy. Both the score of the portrayed company and the maximum score obtained in the industry are displayed.</p> <p>For better classification, the scores are assigned to different levels: minor, moderate, significant and severe. The industry level relates to the average controversy score.</p> <p>Only controversies, for which reliable information from trustworthy sources is available, are recorded. It should be noted that large international companies are more often the focus of public and media attention and available information is often more comprehensive than for less prominent companies.</p>
Distribution of Ratings	<p>Overview of the distribution of all company ratings of an industry from the oekom Universe (company portrayed in this report: light blue). The industry-specific Prime threshold (vertical dotted line) is also shown.</p>
Industry Classification	<p>The social and environmental impacts of industries differ. Therefore, subject to its relevance, each industry analysed is classified in a Sustainability Matrix.</p> <p>Depending on this classification, the two dimensions of the oekom Corporate Rating, i.e. the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the oekom Prime Status (Prime threshold) are defined (absolute best-in-class approach).</p>
Industry Leaders	<p>List (in alphabetical order) of the top three companies in an industry from the oekom Universe at the time of generation of this report.</p>
Key Issue Performance	<p>Overview of the company's performance with regard to important social and environmental issues that are key to the industry, compared to the industry average.</p>
Rating History	<p>Trend in the company's rating over time and comparison to the average rating in the industry.</p>
Rating Scale	<p>Companies are rated on a twelve-point scale from A+ to D-: A+: the company shows excellent performance. D-: the company shows poor performance.</p> <p>Overview of the range of scores achieved in the industry (light blue) and display of the industry-specific Prime threshold (vertical dotted line).</p>
Sources of Information	<p>Data for the Bloomberg Ticker, Company Name, Country and ISIN was sourced from Bloomberg.</p>
Status & Prime Threshold	<p>Companies are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by oekom for a specific industry (absolute best-in-class approach) in the oekom Corporate Rating. Prime companies rank among the leaders in that industry.</p>
Strengths & Weaknesses	<p>Overview of selected strengths and weaknesses of a company with regard to relevant social and environmental criteria.</p>

