

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Bond Asset Pool

Enxsis Holding N.V.  
07 May 2020

## CONTENTS

Overall Evaluation of the Green Bond .....	3
ISS ESG ASSESSMENT SUMMARY .....	3
CONTRIBUTION OF THE GREEN BOND TO THE UN SDGS .....	4
ISS ESG SPO ASSESSMENT .....	5
PART I: GREEN BOND PRINCIPLES .....	5
PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL .....	10
Grid Expansions & Improvements for connecting / facilitating renewable energy generation and transportation (including EV charging station connections) .....	10
Green Commercial Buildings .....	11
Smart Meters (Electricity & Gas) .....	13
PART III: ASSESSMENT OF ENEXIS HOLDING N.V.'S ESG PERFORMANCE .....	15
ANNEX 1: ISS ESG Corporate Rating .....	17
ANNEX 2: Methodology .....	22
About ISS ESG SPO .....	23

## Overall Evaluation of the Green Bond

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

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

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<b>Part 1:</b> <b>Performance against GBPs</b>	The issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs.	<b>Positive</b>
<b>Part 2:</b> <b>Sustainability quality of the asset pool</b>	The overall sustainability quality of the asset pool in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Green Bond KPIs. The Green Bond KPIs contain a clear description of eligible asset categories which include: Grid Expansions & Improvements for connecting / facilitating renewable energy generation and transportation (including EV charging station connections), smart meters, and green buildings.  All assets of the asset pool are located in the Netherlands, a highly regulated and developed country. Legislative frameworks in those countries set minimum standards, which reduce environmental and social risks.	<b>Positive</b>
<b>Part 3:</b> <b>Issuer sustainability performance</b>	The issuer itself shows a medium sustainability performance and has been given a rating of C, which classifies it as 'Not Prime' by the methodology of the ISS ESG Corporate Rating.  It is rated 19 <sup>th</sup> out of 49 companies within its sector as of 07.05.2020. This equates to a medium relative performance, with a Decile Rank <sup>2</sup> of 4.	<b>Status: Not Prime</b>  <b>Rating: C</b>  <b>Decile Rank: 4</b>

<sup>1</sup> The ISS ESG's present evaluation will remain valid until any modification of the Green Finance Framework or addition of new assets into the asset pool by the issuer and as long as the Corporate Rating does not change (last modification on the 25.10.2019). The controversy check of the underlying assets has been conducted on the 22.04.2020.

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






## CONTRIBUTION OF THE GREEN BOND TO THE UN SDGS

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

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

<b>Significant Obstruction</b>	<b>Limited Obstruction</b>	<b>No Net Impact</b>	<b>Limited Contribution</b>	<b>Significant Contribution</b>
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Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS CATEGORY	USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>Renewable Energy</b>	Grid Expansions & Improvements for connecting / facilitating renewable energy generation and transportation (including EV charging station connections)	<b>Significant Contribution</b>	 
<b>Green Building</b>	Green commercial buildings	<b>Significant Contribution</b>	
<b>Energy Efficiency</b>	Smart meters	<b>Limited Contribution</b>	 

## ISS ESG SPO ASSESSMENT

### PART I: GREEN BOND PRINCIPLES

#### 1. Use of Proceeds

Enexis intends to use the net proceeds of green finance instruments issued under the Framework to finance or refinance, in whole or in part, renewable energy projects, investments in energy efficiency, clean transportation projects or green buildings (collectively referred to as “Eligible Assets”).

Eligible Assets are required to meet the eligibility criteria included in the table below. The Eligible Assets are also mapped to the UN Sustainable Development Goals (SDGs)<sup>3</sup> and EU Taxonomy<sup>4</sup> of sustainable economic activities.

All projects and investments are located in the Netherlands, in the provinces of Groningen, Drenthe, Overijssel, Noord-Brabant and Limburg where Enexis is active.

GREEN BOND PRINCIPLES CATEGORIES	POTENTIAL ELIGIBLE ASSETS, PROJECTS AND INVESTMENTS	EU TAXONOMY ENVIRONMENTAL OBJECTIVE : CLIMATE CHANGE MITIGATION <sup>5</sup>	SHARE OF THE ASSET POOL
<b>Renewable Energy</b>	<p><b>Investments in projects and activities that contribute to increasing the share of renewable energy on the grid, including:</b></p> <ul style="list-style-type: none"> <li>▪ Grid expansions and improvements to increase stability, flexibility and availability for connecting / facilitating renewable electricity generation and transportation<sup>6</sup></li> <li>▪ Investments in smart grids</li> <li>▪ Grid modifications to facilitate green gas (green gas booster) and green hydrogen</li> <li>▪ Alternative heating systems (e.g. Hybrid heat pumps that work on renewable gas and renewable energy)</li> </ul>	<p><b>Specific economic activity:</b></p> <ul style="list-style-type: none"> <li>▪ Transmission and Distribution of Electricity</li> <li>▪ Individual renovation measures, installation of renewables on-site and professional, scientific and technical activities</li> </ul>	<b>68.5%</b>
<b>Energy efficiency</b>	<p><b>Investments in projects and activities that contribute to a more efficient use</b></p>	<p><b>Specific economic activity:</b></p>	<b>28.8%</b>

<sup>3</sup> In alignment with ICMA “Green and Social Bonds: A high-level mapping to the Sustainable Development Goals”: <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the-sustainable-development-goals/>

<sup>4</sup> In alignment with the EU Taxonomy Environmental Objectives as defined in Article 5, amendment 41 and Article 6: [http://www.europarl.europa.eu/doceo/document/TA-8-2019-0325\\_EN.html](http://www.europarl.europa.eu/doceo/document/TA-8-2019-0325_EN.html)

<sup>5</sup> ISS ESG did not review the mapping between the EU Taxonomy and the eligible assets of Enexis.

<sup>6</sup> Based on a project-by-project level and/or portfolio level (multiplying the share of renewable electricity on the Enexis grid with the total CAPEX). Enexis currently takes a conservative approach to define eligible grid investments but might include a higher percentage of the investments in the grid if the EU taxonomy regulation recommends it. The current share of renewable energy is 19.2% for the Netherlands. (Source : <https://www.klimaataakkoord.nl/actueel/nieuws/2019/12/30/duurzame-energie-groeit-13-procent-in-2019>). In the future, information specific for the regions Enexis is active, can be used subject to availability.

	<p><b>of energy (supply and demand side), including:</b></p> <ul style="list-style-type: none"> <li>▪ Smart meters</li> <li>▪ Energy storage solutions</li> <li>▪ Energy efficiency (IT) solutions and advisory</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transmission and Distribution of Electricity</li> <li>▪ Storage of energy</li> <li>▪ Individual renovation measures, installation of renewables on-site and professional, scientific and technical activities</li> </ul>	
<b>Clean transportation</b>	<p><b>Investments in, or expenditures for projects and activities that contribute to the uptake of full-electric and zero-emission vehicles and related infrastructure, including:</b></p> <ul style="list-style-type: none"> <li>▪ Enexis's fleet of full-electric vehicles</li> <li>▪ Electric vehicle charging stations at own premises</li> <li>▪ Electric vehicle charging stations for customers and infrastructure to support Electric vehicle charging stations in public areas</li> </ul>	<p><b>Specific economic activity:</b></p> <ul style="list-style-type: none"> <li>▪ Transmission and Distribution of Electricity</li> <li>▪ Passenger cars and commercial vehicles</li> </ul>	<b>0%</b>
<b>Green Buildings</b>	<p><b>Investments in, or expenditures in green office buildings:</b></p> <p><b>New buildings, or buildings which have been built after 2013 which fulfil one or more of the following criteria:</b></p> <ul style="list-style-type: none"> <li>▪ BREEAM certification ≥ "Excellent"</li> <li>▪ EPC-label ≥ "A++"</li> <li>▪ Energy-neutral offices</li> </ul> <p>Renovated buildings:</p> <ul style="list-style-type: none"> <li>▪ Building refurbishments that resulted in a 30% reduction of energy use/CO<sub>2</sub> compared to the pre-refurbishment level or an EPC-label ≥ "A"</li> </ul>	<p><b>Specific economic activity:</b></p> <ul style="list-style-type: none"> <li>▪ Construction of new buildings, acquisition of buildings, renovation of existing buildings</li> </ul>	<b>2.7%</b>

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Enexis's Green Finance Framework as complete, exhaustive and aligned with the Green Bond Principles (GBPs). Environmental benefits are described and quantified. Enexis is committed to accelerate the energy transition and is a co-signatory of the Dutch Climate Agreement, aiming to achieve a 49% reduction in CO<sub>2</sub> emissions relative to 1990 by 2030. This issuance aims to support this goal.

## 2. Process for Project Evaluation and Selection

The use-of-proceeds defined in this Framework regard assets, projects or investments that contribute to or support the Group's strategic pillar 'Accelerating the energy transition' and its ambition to become a leading example in sustainability as a company. Hence, all potential Eligible Assets first and foremost comply with environmental and social laws and regulations as well as the policies and standards of Enexis, which aim to manage and mitigate ethical and governance risks, including the Enexis CSR Policy and the Enexis Sustainable Procurement Policy<sup>7</sup>. In addition, any risks associated with project-related controversies will be transparently reported.

On at least an annual basis, the business units and financial accounting department of Enexis provide an overview of potential Eligible Investments, expenditures and Assets at Group level. The list of potential Eligible Assets is subsequently evaluated by the Group's Green Finance Committee. This committee consists of the members of the following departments: Treasury, Strategy, Corporate Control and Asset management. The committee verifies whether the proposed assets comply with the definition of Eligible Assets as included in paragraph 2.1 of the Framework<sup>8</sup> and subsequently approves the final list of Eligible Assets.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Enexis's Green Finance Framework as aligned with the GBPs. Moreover, Enexis has clearly defined responsibilities and involves multiple stakeholders in the process reflecting best market practice.

## 3. Management of Proceeds

The Enexis Treasury department will manage the net proceeds of issued green finance instruments on a portfolio basis in collaboration with the members of the Green Financing Committee. Enexis will monitor and track an amount equal to the net proceeds through its internal accounting system and will seek 100% allocation of proceeds of the green instrument to its Green Eligible Project Portfolio. Full allocation is expected at issuance or otherwise within a timeframe of one year after issuance. Pending the full allocation to the applicable Eligible Project Portfolio, Enexis will hold and / or invest the balance of net proceeds not yet allocate, at its own discretion, in its treasury liquidity portfolio.

If a designated project is divested, discontinued or does no longer meet the definition of Eligible Assets as included in paragraph 2.1 of the Framework<sup>9</sup>, it will be removed from the portfolio of Eligible Assets. In such a scenario, Enexis will strive to replace the project with other Eligible Assets as soon as reasonably practicable. Enexis aims to ensure that the total volume of issued green finance instruments will not exceed the value of portfolio of Eligible Assets.

The allocation of the net proceeds of issued green finance instruments to Eligible Assets will be reviewed and approved by the Enexis's Green Finance Committee on at least an annual basis, until full allocation of the net proceeds of issued green finance instruments.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Enexis is well aligned with the GBPs. Enexis has processes in place in case of divestments and will replace projects with other Eligible assets, reflecting best market practice.

<sup>7</sup> <https://www.enexisgroep.com/sustainable-business/#sustainable-procurement-policy>

<sup>8</sup> [Enexis's Green Finance Framework](#)

<sup>9</sup> [Enexis's Green Finance Framework](#)

#### 4. Reporting

Allocation and impact evaluation will be available to investors within one year from the date of the Bond issuance and annually thereafter until proceeds have been fully allocated. The annual Green Finance Report with the updates on the allocation of proceeds and an impact evaluation will be published on the Investor Relations section of the Enxsis Group corporate website.

##### Allocation of proceeds reporting

Enxsis will report to investors on the allocation of the net proceeds of issued green finance instruments to its portfolio of Eligible Assets. The report provides the following information:

- an overview of the green finance instruments issued under the Framework and the total amount outstanding (in EUR) of issued green finance instruments
- the allocation of the net proceeds of issued green finance instrument to a portfolio of Eligible Assets, including information on:
  - the composition of the portfolio of Eligible Assets
  - a breakdown of the portfolio of Eligible Assets by nature of what is being financed (assets, capital expenditures, etc.)
  - a breakdown of new financing vs. refinancing
- the amount of unallocated proceeds, if any

##### Impact reporting

On an annual basis, Enxsis intends to report on the environmental impact of the portfolio of Eligible Assets to which the proceeds of issued green finance instruments have been allocated. These may be supplemented by qualitative and/or case-study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency.

Where feasible and available, the impact reporting will include:

- a description of the Eligible Assets
- the breakdown of Eligible Assets by nature of what is being financed (assets, capital expenditures, etc.)
- Metrics regarding projects' environmental impacts:

GREEN BOND PRINCIPLES CATEGORIES	POTENTIAL IMPACT REPORTING INDICATORS
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Capacity of renewable energy production connected in the grid (in MW)</li> <li>• Expected annual increase of production of renewable energy (MWh)</li> <li>• Estimated avoided CO<sub>2</sub> emissions (in tCO<sub>2e</sub> per annum)</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Number and volume of smart meter installed</li> <li>• Number of storage facilities installed</li> <li>• Estimated or actual avoided CO<sub>2</sub> emissions / energy consumption savings</li> </ul>



<b>Clean transportation</b>	<ul style="list-style-type: none"><li>• Number of EV charging points at own property</li><li>• Estimate of added EV charging points in regions Enexis is active</li><li>• Estimated or actual avoided CO2 emissions (compared to average non-electric vehicle fleet / previous non-electric vehicle fleet that got replaced)</li></ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"><li>• Estimated annual CO<sub>2</sub> emission reduction (in t CO<sub>2</sub>eq.)</li><li>• Estimated annual energy savings (MWh)</li><li>• Overview of sustainable labels and certificates for eligible buildings</li></ul>

The allocation- and impact reporting will be made publicly available on the Investor Relations section of Enexis's corporate website<sup>10</sup>.

**Opinion:** ISS ESG finds that the reporting proposed by Enexis is in line with the GBPs. Additionally, Enexis is committed to annually issue a transparent and complete impact report, where impact indicators are clearly established, reflecting best market practice. The allocation reporting will be subject to external verification.

## External review

### Second Party Opinion

Prior to the inaugural issuance under the Framework, Enexis has commissioned ISS ESG to provide a Second Party Opinion for its Green Finance Framework.

### Independent verification

Enexis will appoint an independent verifier to provide a post-issuance review addressing the allocation of the net proceeds of issued green finance instruments on an annual basis until full allocation, or in case of significant changes in the allocation of proceeds.

<sup>10</sup> <https://www.enexisgroep.com/investor-relations>






## PART II: SUSTAINABILITY QUALITY OF THE ASSET POOL

### Grid Expansions & Improvements for connecting / facilitating renewable energy generation and transportation (including EV charging station connections)

As a Use of Proceeds category, grid expansions and improvements for connecting and facilitating renewable energy generation and transportation (including EV charging station connection) has a significant contribution to the SDG 7 “Affordable and Clean Energy” and SDG 13 “Climate Action”.

Additionally, when considering the deeper ESG management, grid expansions and improvements for connecting and facilitating renewable energy generation and transportation (including EV charging station connection) can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<p><b>Site selection</b></p> <p>The vast majority of the assets. i.e. the transmission lines, are built underground. No information on the location is available for the rest of the assets, namely substations and smart grid upgrades.</p> <p>✓ However, all assets are located in the Netherlands where high laws and regulations are in place ensuring that environmental risks are reduced.</p>	
<p><b>Community dialogue</b></p> <p>100% of assets feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms, grievance mechanisms and compensation schemes).</p>	 
<p><b>Environmental aspects of construction</b></p> <p>100% of assets fulfil high environmental standards at the construction phase (e.g. noise mitigation, minimization of environmental impact during construction work, research and mitigation regarding soil warming).</p>	
<p><b>Standards for decommissioning and recycling</b></p> <p>100% of assets will minimise the environmental impacts at end-of-life (e.g. recycling and reuse of parts, sound treatment of waste).</p>	
<p><b>Safety of transmission networks and equipment</b></p>	

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



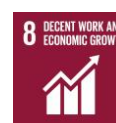
**Energy efficiency**

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



**Working conditions during construction and operation**

- ✓ 100% of assets provide for high labour and health and safety standards for construction and operation work (e.g. ILO Core Conventions).



**Controversy assessment**

A controversy assessment on the assets was conducted and didn't reveal any controversy that could be attributed to the issuer.

**Green Commercial Buildings**

As a Use of Proceeds category, Green Commercial Buildings have a significant contribution to the SDG 11 "Sustainable Cities and Communities" when obtaining a BREEAM "Excellent" label.

Additionally, when considering the deeper ESG management, Green Commercial Buildings can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

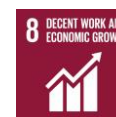
ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<p><b>Energy efficiency prerequisites</b></p> <ul style="list-style-type: none"> <li>✓ All projects underwent an appropriate and detailed selection process that ensures good standards regarding energy efficiency or substantial increases in energy efficiency in case of existing buildings.</li> </ul>	
<p><b>Site selection</b></p> <ul style="list-style-type: none"> <li>✓ 100% of assets are located in urban areas, avoiding the risk of greenfield construction.</li> </ul>	

- ✓ 100% of assets are located within a maximum of 1 km from one or more modalities of public transport.



### Construction standards

- ✓ 100% of assets provide for high labour and health and safety standards (e.g. ILO Core Conventions).



- No asset provides for sustainable procurement regarding buildings materials. However, the issuer is exploring this for future constructions.



### Water use minimization in buildings

- No asset provides for measures to reduce water consumption (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting).



### Safety of building users

- ✓ 100% of assets provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).



### Sustainability labels / Certificates

- ✓ 100% of assets obtained "Excellent" BREEAM rating.



### Controversy assessment







A controversy assessment on the assets was conducted and didn't reveal any controversy that can be attributed to the issuer.

## Smart Meters (Electricity & Gas)

As a Use of Proceeds category, Smart Meters (Electricity & Gas) have a limited contribution to SDG7 “Affordable and clean energy” and SDG13 “Climate action”.

However, when considering the deeper ESG management, Smart Meters (electricity & gas) can be associated to other SDGs.

The table below presents the findings of an ISS ESG assessment of the assets (re-) financed against KPIs and the association with SDGs based on a mapping methodology.

ASSESSMENT AGAINST ISS ESG KPI	ASSOCIATION WITH THE SDGS
<b>Environmental aspects of Smart Meters</b>	
<ul style="list-style-type: none"> <li>✓ 100% of assets have reduced and/or eliminated substances of concern in Smart Meters. (e.g.in line with ROHS directive).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ 100% of assets meet high environmental standards regarding the end of life stage of Smart Meters. (e.g. in line with WEEE directive).</li> </ul>	
<ul style="list-style-type: none"> <li>✓ 100% of assets meet high environmental standards regarding take-back and recycling of conventional energy meters after replacement by a Smart Meter.</li> </ul>	
<b>Social aspects of Smart Meters</b>	
<ul style="list-style-type: none"> <li>✓ 100% of assets have measures in place encouraging customers to save energy.</li> </ul>	
<b>Standards for supply chain management</b>	
<ul style="list-style-type: none"> <li>✓ 100% of assets have good binding labour and health and safety standards within the supplied chain.</li> </ul>	
<ul style="list-style-type: none"> <li>✓ 100% of assets that have a good and binding environmental standards within the supply chain.</li> </ul>	
<b>Standards for data protection and security</b>	

- ✓ 100% of assets have high standards for data protection in place.

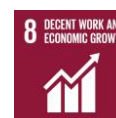


- ✓ 100% of assets have an information security management system in place.



### **Working conditions during construction and operation**

- ✓ 100% of assets provide for high labour and health and safety standards for construction and operation work (e.g. ILO Core Conventions).



### **Controversy assessment**

No controversy assessment was conducted due to the nature of the use of proceeds category.

## PART III: ASSESSMENT OF ENEXIS HOLDING N.V.'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime<sup>11</sup>' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
ENEXIS HOLDING N.V.	NOT PRIME	C	4

This means that the company has a medium performance in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG.

As of 07.05.2020, this rating places Enexis 19<sup>th</sup> out of 49 companies rated by ISS ESG in the Utilities/Network Operators sector.

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

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

In three of the key issues, Enexis rates above the average for the sector. A very significant outperformance was achieved in "Worker safety and accident prevention" and a good performance in "Facilitation of the energy transition and resource efficiency". The company lags the industry's average performance in "Business ethics and government relations" and "Environmentally safe operation of plants and infrastructure".

The company has no significant controversy.

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



Robert Hassler, Head of ISS ESG Ratings  
London/Munich/Rockville/Zurich

<sup>11</sup> Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

## DISCLAIMER

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

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## ANNEX 1: ISS ESG Corporate Rating

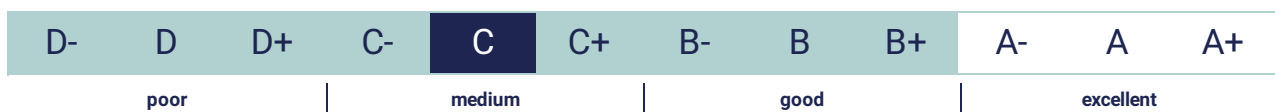
The following pages contain extracts from Enexis' 2019 ISS ESG Corporate Rating.

# ESG Corporate Rating

## Enexis Holding N.V.

Industry	Utilities/Network Operators	Status	<b>Not Prime</b>
Country	Netherlands	Rating	<b>C</b>
ISIN	XS1307369717	Prime Threshold	<b>C+</b>
		Decile Rank	<b>4</b>

### Absolute Rating



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

### Decile Rank



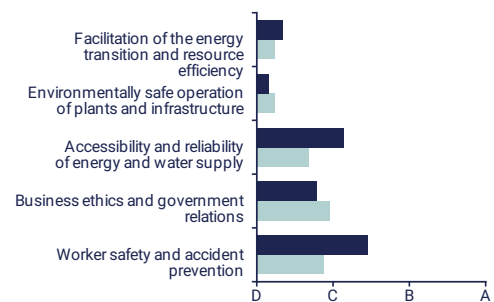
Indicates decile rank relative to industry group. A decile rank of 1 indicates a high relative ESG performance, while a 10 indicates a lower relative ESG performance.

### Industry Leaders

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

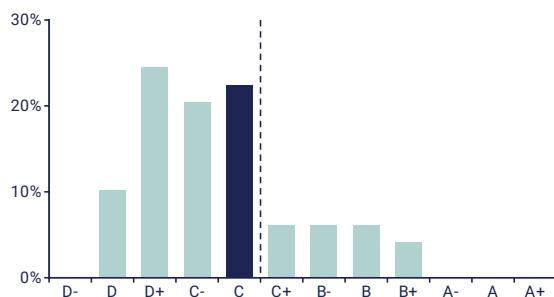
Legend: ■ Industry ■ Company --- Prime

### Key Issue Performance

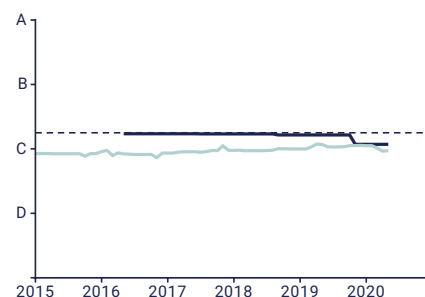


### Distribution of Ratings

49 companies in the industry



### Rating History



# Enexis Holding N.V.

## Analyst Opinion

### Sustainability Opportunities

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Enexis Holding is mainly engaged in the management, maintenance and modernisation of the regional gas and electricity grid in various Dutch provinces. Additional revenues are generated with services such as measuring energy flows, design of infrastructure, and rental and maintenance of casings, transformers and switchgear installations, among others. As an electricity network operator, the company could facilitate the transition to a more sustainable energy system by providing the infrastructure for connecting renewable energies to the network. Enexis Holding is legally obliged to offer smart meters to all households before the end of 2020 and is engaged in some pilot projects in cooperation with industry partners. Yet, there is no indication of a more comprehensive strategy or advanced programmes to facilitate the integration of renewables.

### Sustainability Risks

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For an electricity and gas network operator, the main social issues include ensuring a reliable energy supply, and health and safety of employees and contractors. Enexis Holding performs comparatively well in terms of network reliability. Yet, there are some uncertainties about the company's health and safety management approach, especially with regard to the integration of contractors. To uphold business ethics, the company has established a code of conduct, which addresses some issues in general terms. However, it does not make any reference to anti-corruption and only few compliance measures are documented.

The most relevant environmental issues for a network operator include the reduction of network losses and gas leakages, and mitigation measures with regard to possible biodiversity impacts of grid operations. The company has reduced natural gas leakages from the network, but does not refer to any group-wide maintenance standards and monitoring procedures that would indicate a reduction of leakages in the future. Enexis Holding does not explain how it reduces negative environmental impacts of electricity grid operations, e.g. with regard to bird collision and electrocution.

### Governance Opinion

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Enexis Holding is completely owned by Dutch provinces and municipalities (as at February 28, 2019). All members of the company's supervisory board are independent, including the chair of the board, Piet Moerland (as at December 31, 2018). The board has established entirely independent committees in charge of audit, remuneration and selection. Enexis Holding transparently discloses its policy for executive remuneration, which does not include any long-term incentive components that would promote sustainable value creation.

With reference to the governance of sustainability, there is no indication of a board committee to provide oversight over sustainability issues. Moreover, sustainability performance objectives are not integrated into the executive remuneration schemes. The company has established a code of conduct, which addresses some issues in general terms. However, it does not make any reference to anti-corruption and only few compliance measures are documented.

# Enexis Holding N.V.

## Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

**ESG Corporate Rating** - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

**Analyst Opinion** - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

**Controversial Business Practices** - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
  - Degree of verification of allegations and claims
  - Severity of impact on people and the environment, and systematic or systemic nature of malpractices
- Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

**Decile Rank** - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

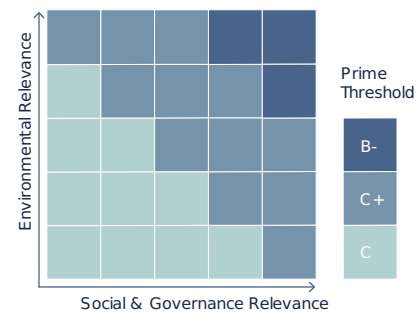
**Distribution of Ratings** - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

# Enexis Holding N.V.

## Methodology - Overview

**Industry Classification** - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



**Industry Leaders** - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

**Key Issue Performance** - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

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

**Rating History** - Development of the company's rating over time and comparison to the average rating in the industry.

**Rating Scale** - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

**Sources of Information** - A selection of sources used for this report is illustrated in the annex.

**Status & Prime Threshold** - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

## ANNEX 2: Methodology

### ISS ESG Green Bond KPIs

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

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

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

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

### Asset evaluation methodology

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

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

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

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which ENEXIS's Green Bond contributes to related SDGs and has a positive association with their respective sub-targets.

The contribution assessment is split into two Levels:

1. **Level 1:** Contribution and/or obstruction of the Use of Proceeds categories to be financed through the bond to the UN SDGs
2. **Level 2:** Association of the assets' ESG performance with further SDGs

## About ISS ESG SPO

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

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

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

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

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

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