



Alliander

Green Bond Framework

June 2019

Introduction

Profile

Alliander is a Dutch company responsible for the regional distribution of energy including electricity, (bio)gas and heat to more than 3 million customers in its service areas. The energy that we distribute comes from diverse sources, such as energy plants and wind farms, as well as from imports via the national electricity and gas transport grids operated by TenneT and Gasunie respectively. In addition, a growing number of consumers and businesses are feeding self-generated energy into our energy networks. About 270.000 households were feeding energy into our electric network in 2018, an increase of about 80.000 households compared to 2017. The result is a dynamic interaction and interconnection between energy supply and demand. This puts an extra burden on our networks, which were originally designed to deliver energy, but are now increasingly being used for energy feed-in.

Alliander's primary task is to distribute energy to consumers, businesses and institutions. The network operator Liander makes this possible by keeping the energy distribution through all their networks in good condition, supplying more than three million consumers and businesses daily with energy as efficiently as possible. Alliander is also committed to an open and future-proof energy network to ensure that living, working and travelling remain viable in the future.

Alliander stands for an energy system where everyone has equal access to reliable, affordable and renewable energy. To this end we have a four-pillar strategy that is committed to 1) supporting customers in making choices that are not just good for them, but also for our energy system as a whole, 2) building new open networks, 3) digitising our networks while continuing to work on 4) an excellent network operation.

CSR strategy

Our CSR efforts focus on three areas:

1. As a result of climate change, growth in energy consumption will have to be met by renewable sources such as wind and solar power or sustainable heat sources. We contribute towards the energy transition by **giving all customers equal access to renewable energy**.
2. We have **climate-neutral and circular operations**, including working with partners in our supply chains. Alliander aims for their business operations to run solely on renewable energy and where waste produced is converted into input for the materials they consume.
3. As a large employer, we take responsibility for **a social and inclusive organisation**. A socially responsible company is an inclusive company where everyone gets a fair chance to reach their full potential.

Climate-neutral operations

Alliander's ambition is to have climate-neutral operations by 2023; in other words, on balance Alliander will have zero CO₂ emissions as a result of our network activities, offices and vehicles in 2023. Our programme on reducing and greening the CO₂ emissions brings us step by step towards more sustainable operations. We use a three-step approach:

1. Saving energy and improving energy efficiency
 - the application of sustainable climate regulations in our sub-stations
 - low-energy or energy-positive buildings such as our new office in Duiven
 - the prevention of energy fraud
 - the use of fewer, smarter and more eco-friendly company and lease cars. Alliander's cars are fitted with speed limiters and the engines of our lease cars are standardised to emit no more than 100 grams of CO₂ per kilometre
2. Using renewable energy where possible
3. Carbon offsetting the use of non-renewable energy by purchasing certificates of origin for renewable energy from newly built windfarms in the Netherlands

This approach has helped us in bringing our net CO₂ emissions down from 894 kilotons in 2014 to 288 kilotons in 2018.

Circular operations

As a network operator, we use large quantities of materials and, indirectly, of raw materials. We have a responsibility to do the best we can in meeting our materials needs and so we are aiming to make circular purchases of at least 40% of our primary assets by 2020. This means that all raw materials we use are recycled and nothing is wasted. To do this, our management focus is along four lines:

1. We make the best possible use of the materials we have
2. Where possible we make circular purchases of our main materials
3. We avoid wasting materials in our operations
4. We recycle 100% of the remaining waste

Circular procurement demands intensive co-operation with our suppliers. Underlining our commitment to this policy, we became one of the first twenty signatories of the Circular Procurement Green Deal with the aim of learning from each other's experiences when starting up circular procurement processes and to speed up circular purchasing.

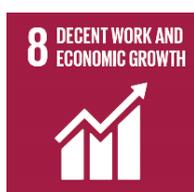
For a few years now we have been integrating circular procurement into our purchasing processes. Each quarter we report on the percentages of circular procurement and recycling. There is a clear roadmap for achieving our targets. The share of circular procurement at the end of 2018 was about 16.5% thanks mainly to the first resource passports for cables which show that they include recycled materials and can be recycled. In 2018, the first 'circular' cables, containing a percentage of recycled material and themselves fully recyclable, were laid in the Netherlands. 2018 also saw the conclusion

of an extended R&D period with the actual delivery of a smart meter boasting, among other things, a raw materials passport, 35% less metal, 25% less plastic and part use of recycled plastic. Insofar as we are able to monitor the supply chain, the use of minerals from conflict zones has been excluded.

Alliander's contribution to the United Nations Sustainable Development Goals

In 2015, the United Nations adopted a new global agenda to end poverty, inequality and climate change. This agenda sets out the Sustainable Development Goals (SDGs) for 2030. The Netherlands has endorsed these global goals and the government, politicians and companies are currently working out their contribution in more concrete detail.

Alliander carried out an in-depth study reviewing operations; core activities and the entire value creation process to ascertain which SDGs best match their own initiatives, objectives and strategy in addition to stakeholders' expectations. The company identified four development goals that Alliander is focusing on and actively pursuing.



Purpose of this document

The purpose of this document is to present Alliander's Green Bond Framework. This Green Bond Framework is in alignment with the four pillars of the International Capital Markets Association (ICMA) Green Bond Principles¹ and has been reviewed by ISS-oekom.

Alliander has decided to come to the sustainable capital markets and intends to follow best market practise and will communicate in a transparent manner on:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

¹¹ 2018 edition

Green Bond Framework

1. Use of proceeds

An amount equal to the net proceeds from the issuance of Green Bonds will be used to finance and/or refinance, in whole or in part, new and existing projects (“Eligible Green Projects”) falling within one or several categories detailed below:

- Smart grids,
- Green buildings,
- Heating networks

Eligible Green Projects may include new, on-going or existing projects funded no more than 36 months before the issuance of each Green Bond.

Eligible Green Projects Category	Description	UN SDG
Smart grids	<ul style="list-style-type: none"> ▪ Smart meters recording customer’s energy consumption for demand management ▪ Sensor and technology deployment in mid/high voltage grid ▪ Wireless networks ▪ Fibre optic cable and network 	 7. Affordable Clean Energy  13. Climate Action ²
Energy efficient green buildings	<ul style="list-style-type: none"> ▪ New builds or large scale renovation: <ul style="list-style-type: none"> ○ BREEAM-NL certificate “Very Good” or above; ○ or equivalent ▪ Energy efficiency projects in buildings which result in energy savings of at least 20% 	 11. Sustainable Cities and Communities
Heating networks ³	<ul style="list-style-type: none"> ▪ Local district heating networks distributing heat from local heat sources to customers 	 7. Affordable Clean Energy

² This category contributes to sustainable energy use and mitigating climate change

³ Should the proceeds of future Green Bonds be used to finance and/or refinance investments in heating networks, the Eligibility Criteria will be further verified by the external reviewer designated by Alliander to assess the sustainability and relevance of the criteria identified and the resulting Eligible Green Projects. The external review will be made available to investors

2. Process for Project Evaluation and Selection

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

The selection of the projects is carried out by Alliander's CSR department in cooperation with Finance, Treasury, Procurement, and relevant business units, based on expected amounts, eligibility criteria described in Alliander's Green Bond Framework, and a clear contribution of the selected projects toward reducing CO₂ emissions or facilitating the reduction thereof, as well as circularity and supply chain transparency if applicable. Eligible Green Projects will also be assessed based on any additional environmental standards or certifications available (ISO certifications, etc.).

The same teams will also be responsible to:

- Validate annual reporting for investors, and
- Maintain the Green Bond Framework up to date in order to reflect any changes with regards to the Company's sustainability strategies and to be in-line with market best practices.

3. Management of Proceeds

The net proceeds from Alliander's Green bonds will be deposited in the general account and an amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects in accordance with Alliander's Green Bond Framework.

For the remaining unallocated proceeds, Alliander will track the net proceeds and earmark the amounts (re)financed with the Green Bond within its internal systems. On a quarterly basis, and as long as the Green Notes are outstanding, the balance of the net proceeds of the issuance not already allocated will be reduced by amounts matching disbursements made during the same period to Eligible Green Projects.

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

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

4. Reporting

Alliander will report on the allocation of net proceeds and associated environmental benefits annually until the proceeds of each Green Bond has been fully allocated, and as necessary in the event of material changes or in case of substitution of Green Projects.

This report will be made available within the investor relations' section on Alliander's website.

Allocation Reporting

- The aggregated amount of allocation of the net proceeds to the Eligible Green Projects, at category and sub-category level, with a description or selected case studies if feasible;
- The balance of any unallocated proceeds invested in bank deposits, investment funds, money market funds, or liquid marketable instruments; and,
- The proportion of net proceeds used for financing versus refinancing

Impact Reporting

Where feasible, Alliander will report on the following suggested impact indicators:

Smart grids:

- Total number of smart meters installed at customers
- Potential avoided CO₂ emissions
- Energy consumption savings

Green buildings:

- Average primary energy consumption savings (in MJ/m²) compared to the Dutch average
- Avoided CO₂ emissions
- BREEAM-NL certification or equivalent (if applicable)

Heating networks:

- Total annual supply of district heating (in GJ)
- Avoided CO₂ emissions

5. External Review

a. Second Party Opinion

ISS-oekom will review the portfolio of Eligible Green Projects, as well as the alignment of Alliander's Green Bond Framework with ICMA's Green Bond Principles⁴. ISS-oekom will provide a Second Party Opinion (SPO) that will be made available on Alliander's website.

b. Annual Audit/Limited Assurance

The allocation of each Green Bond's proceeds and environmental impact metrics will be reviewed by an external auditor, Deloitte, who will provide a "Limited Assurance" that will be incorporated in the report made available on Alliander's website.

⁴ ICMA's Green Bond Principles 2018

Disclaimer

The information and opinions contained in this Alliander Green Bond Framework (the Framework) are provided as at the date of this Framework and are subject to change without notice. None of Alliander N.V. (Alliander) or any of its affiliates (together, the Alliander Group) assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Framework represents current Alliander Group policy and intent, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations.

This Framework is intended to provide non-exhaustive, general information. This Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by the Alliander Group and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Alliander Group as to the fairness, accuracy, reasonableness or completeness of such information. This Framework may contain statements about future events and expectations that are forward looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework.

No representation is made as to the suitability of any Green Bonds to fulfil environmental and sustainability criteria required by prospective investors. Each potential purchaser of Green Bonds should determine for itself the relevance of the information contained or referred to in this Framework or the relevant Green Bonds documentation for such Green Bonds regarding the use of proceeds and its purchase of Green Bonds should be based upon such investigation as it deems necessary. Alliander has set out its intended policy and actions in this Framework in respect of use of proceeds, project evaluation and selection, management of proceeds and reporting, in connection with the Alliander Green Bonds. However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Green Bonds if Alliander fails to adhere to this Framework, whether by failing to fund or complete Eligible Green Projects or by failing to ensure that proceeds do not contribute directly or indirectly to the financing of the excluded activities as specified in this Framework, or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental impacts as anticipated by this Framework, or otherwise.

In addition, it should be noted that all of the expected benefits of the Eligible Green Projects as described in this Framework may not be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Green Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Green Projects. Each environmentally focused potential investor should be aware that Eligible Green Projects may not deliver the environmental or sustainability benefits anticipated, and may result in adverse impacts.

This Framework does not constitute a recommendation regarding any securities of Alliander or any member of the Alliander Group. This Framework is not, does not contain and may not be intended as an offer to sell or a solicitation of any offer to buy any securities issued by Alliander or any member of the Alliander Group. In particular, neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution. Any decision to purchase or otherwise to invest in any Green Bonds should be made solely on the basis of the information to be contained in any offering document provided in connection with the offering of such Green Bonds. Prospective investors are required to make their own independent investment decisions.