
Stedin Group **Green Finance Framework**

October 2019

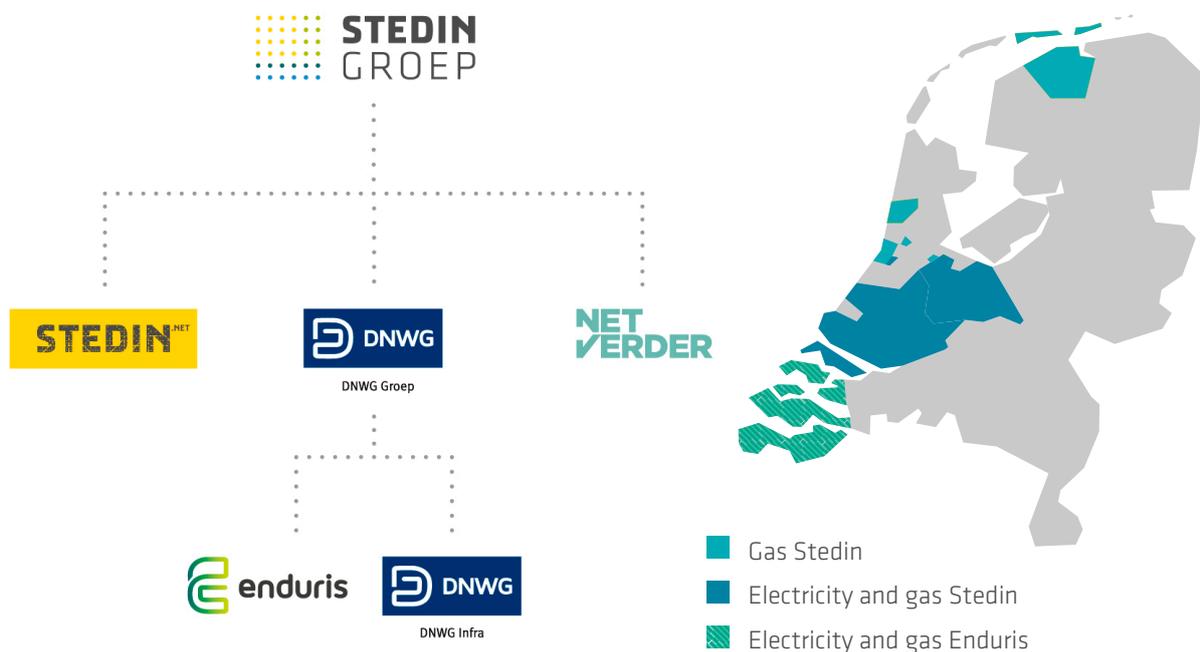
Table of contents

1. Introduction.....	3
2. Basis of the Stedin Green Finance Framework.....	7
3. Use of Proceeds.....	8
4. Process for Project Evaluation and Selection	10
5. Management of Proceeds	11
6. Reporting	12
7. External review.....	14
DISCLAIMER	15

1. Introduction

Stedin Group was formed on 1 February 2017 as a result of the unbundling of Eneco Holding N.V. into an energy company (Eneco) and a network company (Stedin).

Stedin Group, consists of the electricity and gas grid managers Stedin and Enduris. Stedin operates in densely populated parts of the Netherlands covering cities such as Rotterdam, The Hague and Utrecht and their surroundings. Enduris operates in the province of Zeeland, which is more rural area, but with a significant potential for wind and solar energy. More than 2.2 million retail customers, businesses and industrial customers rely on Stedin Group for their energy connection. Stedin Group focuses on all activities relating to constructing, managing and maintaining energy grids.



Stedin Group plays an important role in the transition to an economy that is based on renewable sources of energy. The Dutch government, industry, consumer and environmental organisations signed the Dutch Climate Agreement in 2018 with the aim to accelerate the energy transition and come to a reduction of at least 50% in CO₂ emissions in 2030 (compared to 1991) and aim towards a CO₂ neutral economy in 2050. Stedin has actively contributed to this process, particularly through its membership of and contribution to the working groups focussing on industry in the greater Rotterdam area and CO₂ reduction for electricity, the built environment and mobility. Stedin Group has a crucial role to play in the Dutch energy transition as distribution partner for future sustainable energy in the system. Stedin summarizes its role in the energy transition and contribution to a future proof and sustainable energy infrastructure as follows: “We are working together to create an environment filled with new energy”.

Stedin Group's Strategy

The energy transition will require major adjustments to the energy infrastructure, which will be significantly transformed in the years ahead. In the Netherlands, Stedin Group is committed to guide the energy transition, which will be made possible by a focus on core tasks for (future) grid management that delivers an excellent service for our customers. New technologies and collaborations between all the people and the organizations involved in our energy supply can help us succeed.

Stedin Group has identified three strategic priorities:

- We are working vigorously on improved grid management by continually improving our performance on our core tasks:
 - Reliable grids
 - Affordable and efficient services
 - High-quality products and services
- We intend to facilitate the energy transition through innovation and by collaborating closely with partners on:
 - Future proof grids
 - Making grid information available
 - Accelerating through cooperation
- As ambassadors for the energy transition, we are aiming for sustainable business operations:
 - Safe working conditions
 - Professional competent employees now and in the future
 - Positive environmental impact (One Planet)
 - Financial health

Stedin Group is aware of the strategic risks and opportunities of the energy transition. Our intent is to control and capitalize on those risks to deliver the energy transition for our environment and society in a responsible manner.

Stedin Group's Commitment to Sustainability

The energy transition plays an integral role in the strategy of Stedin Group to distribute sustainable sources of energy, facilitate decentralized generation of energy and to make the energy system more digital and democratic. To allow for energy transition, Stedin Group is investing in the grids, making them smarter and enabling them to integrate renewables while remaining reliable. In fact, for us it is essential to build a reliable and simultaneously flexible grid system, which allows to connect and integrate more and more renewable energy sources over time.

The main players in the future's energy world will be our customers. This is why we aim to achieve customer's satisfaction by offering high-quality, affordable and clean energy solutions.

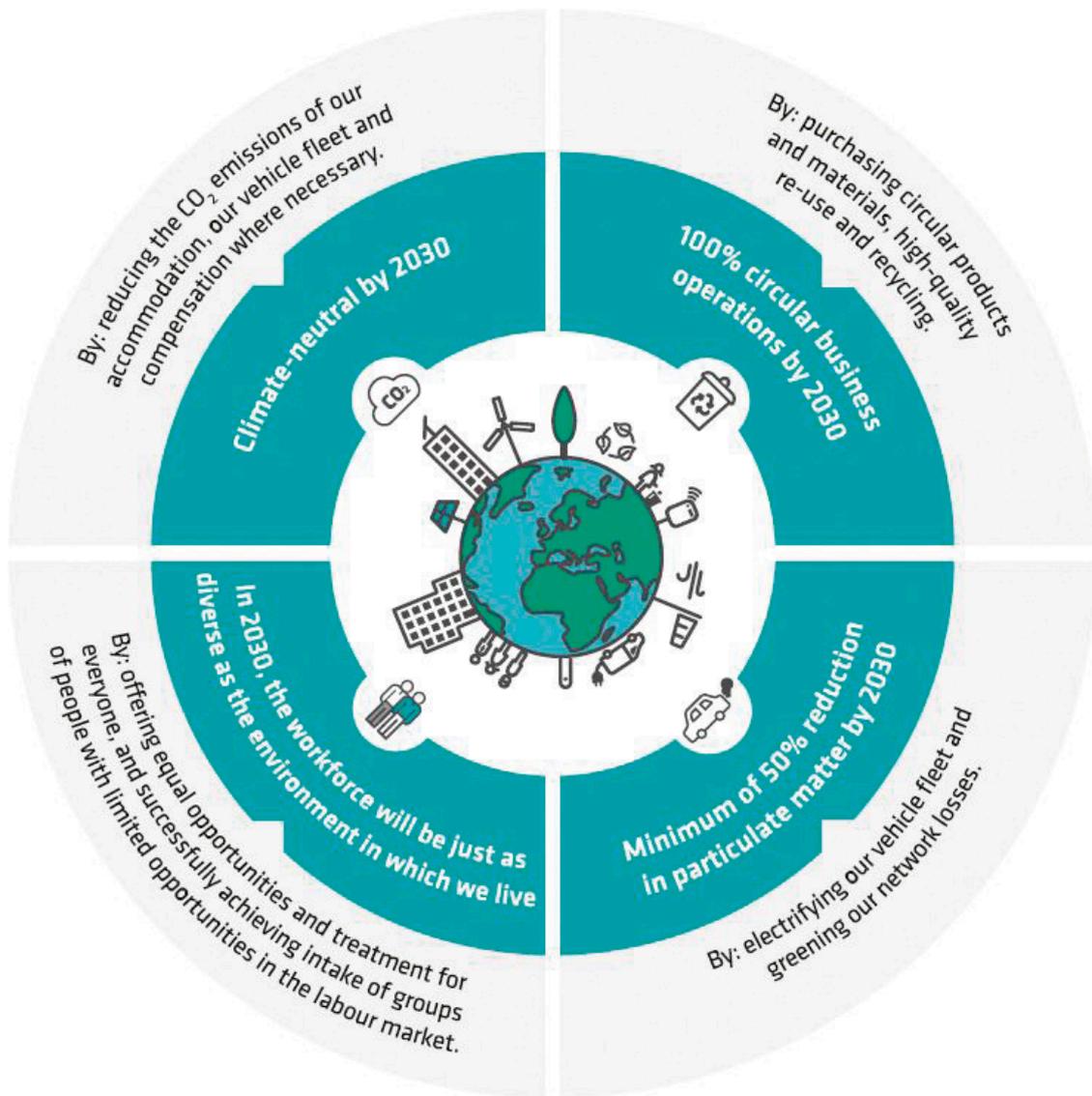
To promote transparency and comparability, Stedin Group aligns its sustainability objectives to the United Nations Sustainable Development Goals (UN SDGs). Stedin contributes to SDG 7 (Affordable and Clean Energy), since via our grids we provide our customers with the energy they

need while maintaining the grid affordable and reliable. Also, Stedin helps ensure pleasant and sustainable urban environments by building and maintaining networks and therefore positively impacts SDG 11 (Sustainable Cities and Communities). Additionally, Stedin contributes to SDG 9 (Industry, Innovation and Infrastructure), SDG 12 (Sustainable Consumption and Production) and SDG 13 (Climate Action).

SDC	Description	Application to Stedin
 7 AFFORDABLE AND CLEAN ENERGY	Energy is essential for almost all major challenges and opportunities in today's world.	Via our grids, we provide our customers with the energy they need to live, work and do business. Jointly with our stakeholders we work on innovations that are necessary for a future-proof grid, ensuring that it remains affordable and reliable.
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Investments in infrastructure are crucial to make sustainable development possible.	Stedin Group fulfils a facilitating role for the sustainable development of the industrial cluster in the Port of Rotterdam, for instance, and has developed a vision for a future electrical infrastructure in conjunction with the stakeholders.
 11 SUSTAINABLE CITIES AND COMMUNITIES	The cities and communities of the future must offer opportunities to everyone through innovation and progress, including access to basic facilities such as energy.	Stedin Group helps ensure pleasant and sustainable urban environments by building and maintaining networks. Stedin Group is committed to the goals in the Climate Agreement and works towards them with its stakeholders.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Sustainable consumption and production means promoting efforts to save raw materials and energy, and supporting sustainable infrastructure, appropriate working conditions and a higher quality of life for everyone.	Stedin Group devises and implements solutions to reduce its own energy consumption and to improve the sustainability of its grid. These include intelligently balancing supply and demand and combating wastage.
 13 CLIMATE ACTION	Climate change impacts all countries on all continents. It disrupts national economies and endangers lives. Without intervention, the temperature on earth is likely to rise by more than three degrees this century.	Stedin Group conforms to the international climate goal of limiting the average temperature increase on the planet to two degrees. We want to keep the impact of our activities within these limits. Through sustainable innovations, Stedin Group contributes to technologies and systems that combat climate change.

We believe the energy transition needs to be accompanied by sustainable business operations. When working on making our business operations more sustainable, we have formulated the One Planet strategy to reduce our environmental impact. In fact, Stedin aims to be climate neutral by 2030.

We concentrate our efforts on those areas in which our impact is greatest: CO₂ emissions, use of raw materials and an inclusive society. We are committed to reducing and, where necessary, compensating for our impact in those areas. At the same time, we seek to increase our positive impact with regard to an inclusive society. We strive towards making a positive impact on the environment and fostering a safe working environment conducive to everyone achieving their full potential. We report on our One Planet strategy via key performance indicators for three main segments: CO₂ and particulate matter emissions, Materials and Inclusive society. As an example, we report on compensation of network losses, reduction of CO₂ emissions and help households to achieve energy savings (through the Energy Bank Rotterdam).



Stedin rationale for green financing

Stedin believes that Green Bonds are an effective tool to channel investments to projects that have demonstrated climate benefits and thereby contribute to the achievement of the SDGs. By issuing Green Bonds, Stedin intends to align its funding strategy with its mission, sustainability strategy and objectives. In fact, Stedin sees the energy transition as a sustainability priority. To achieve such priority, Stedin will have to invest in the grid network to increase the share of sustainable sources of energy in the Dutch energy system and therefore contribute to the transformation of the country. In addition, Stedin aims to contribute to the development of the green bond market and to the growth of SRI investing. Lastly, Green Bonds will help to identify Stedin Group's investor base and broaden the language with existing investors.

Under this Green Finance Framework, Stedin has the ambition to issue Green Bonds to finance and / or refinance projects related to Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings in accordance with Stedin Group's core businesses and Sustainability strategy.

2. Basis of the Stedin Green Finance Framework

In line with Stedin's commitment to guide the energy transition and to provide a sustainable energy supply system, Stedin has established this Green Finance Framework under which intends to issue Green debt instruments (which may include, bonds, loans, etc) to finance and / or refinance projects promoting environmental development.

The International Capital Markets Association ("ICMA") Green Bond Principles¹ are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green financing instruments. The Stedin Green Finance Framework follows the ICMA Green Bond Principles (GBP) 2018 edition as well as the LMA Green Loan Principles² (GLP) 2018 edition, which provides guidelines in the form of four core components:

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

For each Green debt instrument issued, Stedin asserts that it will adopt (1) Use of Proceeds (2) Process for Project Evaluation and Selection (3) Management of Proceeds, (4) Reporting, as set out in this Framework. The Stedin Green Finance Framework also follows the recommendations of the Green Bond Principles regarding External Review.

The Framework will apply to any Green debt instruments issued by Stedin and will be in force as long as any Green debt instrument is outstanding. Any future changes in the Green Bond Standards may be implemented in future versions of this Green Finance Framework. Any future updated version of this framework that may exist will either maintain or improve the current levels and granularity of transparency and reporting disclosures, including the corresponding review by an external consultant.

1 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

2 <https://www.lma.eu.com/news-publications/press-releases?id=146>

3. Use of Proceeds

The net proceeds of Green debt instruments will be exclusively used to finance and / or refinance in whole or in part eligible projects (“Eligible Green Projects”) in the following categories, together forming the “Eligible Green Project Portfolio”.

ICMA GBP Category	Eligible Green Projects	Eligibility to Green Bond	Contribution to UN SDGs ³	EU Taxonomy Environmental Objectives ⁴
Renewable Energy	<ul style="list-style-type: none"> Projects aimed at increasing the production from renewable energy sources: Investments and / or expenditures to directly connect renewable energy production and storage units to the grid (includes power-lines and related infrastructure such as substations) 	100%	 Target 7.2: By 2030, substantially increase the share of renewable energy in the global energy mix	Environmental Objective: Climate Change Mitigation Substantial contribution to Climate Change Mitigation (1.a): Generating, storing, distributing or using renewable energy in line with the Renewable Energy Directive, including through innovative technology with a potential for significant future savings or through necessary reinforcement of the grid Selected economic activity: Transmission and Distribution of Electricity
	<ul style="list-style-type: none"> Projects aimed at integrating renewables in the grid, while enhancing grid stability: Investments and / or expenditures aimed at integrating and enhancing the transmission capacity for renewable energy in the grid 	Defined as: renewables installed capacity / all sources electricity capacity in the Stedin’s grid for the relevant year	 Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	
Energy Efficiency	<ul style="list-style-type: none"> Projects aimed at improving energy efficiency and the reliability of the energy supply: Investments and / or expenditures in smart grid technologies and installation of smart meters 	100%	 Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	Environmental Objective: Climate Change Mitigation Substantial contribution to Climate Change Mitigation (1.b): Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption Selected economic activity: Transmission and Distribution of Electricity

3 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/>

4 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

5 Stedin 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.

ICMA GBP Category	Eligible Green Projects	Eligibility to Green Bond	Contribution to UN SDGs ³	EU Taxonomy Environmental Objectives ⁴
Clean Transportation	<ul style="list-style-type: none"> • Projects aimed at promoting climate-neutral mobility: Investments in electric vehicle charging stations and related infrastructure 	100%	 Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons	Environmental Objective: Climate Change Mitigation Substantial contribution to Climate Change Mitigation (1.c): Increasing clean or climate-neutral mobility Selected economic activity: Passenger cars and commercial vehicles
Green Buildings	<ul style="list-style-type: none"> • Projects aimed at the acquisition and renovation of low-carbon buildings in The Netherlands: <ol style="list-style-type: none"> a. New, existing or refurbished buildings which have received at least one (or more) of the following classifications: <ul style="list-style-type: none"> - EPBD: A - LEED: 'Gold' and above - BREAAAM: 'Very Good' and above - DGNB: 'Gold' and above - Refurbished buildings with at least two steps improvement in energy label up to at least EPBD label B b. Individual investments in Green Buildings to ensure environmental improvements such as renewable energy projects (e.g. solar panel installations), energy efficient lighting (e.g. LED) 	100%	 Target 11.C.1: Proportion of financial support that is allocated to the construction and retrofitting of sustainable, resilient and resource-efficient buildings utilizing local materials	Environmental Objective: Climate Change Mitigation Substantial contribution to Climate Change Mitigation (1.b): Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption Selected economic activity: Construction of new buildings, Renovation of existing buildings



4. Process for Project Evaluation and Selection

Projects financed and / or refinanced through the Green debt instruments proceeds are evaluated and selected based on compliance with the “Eligibility Criteria” defined in the section above (Use of Proceeds) by Stedin’s Green Finance Committee.

Stedin’s Green Finance Committee is formed by members of Treasury, Corporate Responsibility, and other parties to be nominated as subject matter experts from the various sectors of allocated assets. The Green Finance Committee monitors the Eligible Green Project Portfolio and is also responsible for:

- Reviewing the content of Stedin’s Green Finance Framework and updating it to reflect changes in corporate strategy, technology, market developments (such as the introduction of the EU Green Bond Standards) on a best effort base
- Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best efforts basis
- As Green debt instruments mature, removing the oldest projects for an equivalent investment amount, to ensure that Green Debt Instruments continue to fund new projects
- Preparing allocation and impact reports associated with the framework

The Green Finance Committee meets at least on an annual basis.

Project evaluation and selection also complies with Stedin’s corporate and sustainability objectives as well as with applicable national, European and international environmental and social standards and regulations, to ensure a stringent management of any potential negative environmental and social impacts.

Stedin’s sustainability guidelines and policies define the framework and minimum standards for the business processes, including those financed with the proceeds of Green debt instruments issued under this Framework. Stedin also applies risk management measures in its capital allocation decisions which are supported by company-wide planning, reporting and controlling systems. Examples of internal policies and guidelines, which mitigate any social and environmental risks potentially associated with Eligible Green Projects, are:

- One Planet Procurement Policy
- Supplier Code of Conduct
- Code of Conduct
- Corporate Governance Code

Stedin’s approach to environmental, social and sustainability is described on Stedin’s Annual Report⁶ and website⁷.

6 Stedin Annual Report: <http://annualreport.stedingroup.com/2018/english/>

7 Sustainability of Stedin operations: www.stedingroep.com
Information on sustainable business operations of Stedin:
<https://www.stedingroep.nl/investor-relations/hoe-duurzaam-is-stedin-groep>
Fair Meter initiative: www.fairsmartmeter.com

5. Management of Proceeds

Stedin intends to allocate the proceeds from the Green debt instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. This portfolio consists of new and / or existing projects.

Stedin will strive to maintain a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green debt instruments. Additional Eligible Green Projects will be added to the Issuer's Eligible Green Project Portfolio to the extent required, as a result of, for instance, divestments, to ensure that an amount equal to the net proceeds from outstanding Green debt instruments will be allocated to Eligible Green Projects until the maturity of the Green debt instruments.

Pending the full allocation to the Eligible Project Portfolio, Stedin will hold and / or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc).



6. Reporting

The Green Bond Principles (GBP) require Green Bond issuers to provide information on both the allocation of proceeds and the expected impact of the projects.

Stedin will make and keep publicly available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio and wherever feasible reporting on the impact of the Eligible Green Project Portfolio, at least at the category level, after a year from the issuance of the applicable Green debt instruments to be renewed annually until full allocation of the Green Bond net proceeds. Any material developments, such as modification of the Framework or allocation portfolio, will be reported in a timely manner.

Stedin intends to provide aggregated reporting for all of Stedin's Green debt instruments and other potential green financings outstanding.

Reports will be available at: <https://www.stedingroep.nl/eng/investor-relations>.

a) Allocation Reporting

The allocation report will provide:

- The total amount of investments and expenditures in the Eligible Green Projects Portfolio;
- The amount and/or percentage of new and existing projects⁸ (share of financing and refinancing);
- The year of investment / disbursement;
- The balance of unallocated proceeds;
- The geographical distribution of the assets (at country level).

b) Impact Reporting

Stedin intends to report on the environmental impacts of the projects funded with the Green Bond proceeds through a dedicated impact report. 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.

Stedin intends to align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June 2019)"⁹.

8 New projects refer to the projects that have been disbursed in the year of the issuance.

9 <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>



The impact report will include:

- A description of the Green Projects
- The breakdown of Green Projects by nature of what is being financed (assets, capital expenditures, operating expenditures)
- Metrics regarding projects' environmental impacts:

Eligible Green Finance Category	Potential impact reporting indicators
Renewable Energy	<ul style="list-style-type: none"> • Capacity of renewable energy production connected in the grid (in MW) • Expected increase of production of renewable energy (MWh) • Estimated annual CO₂ emissions avoided (in t CO₂ and in T CO₂eq.)
Energy efficiency	<ul style="list-style-type: none"> • Number of Smart grid components installed (such as smart meters, smart stations, wireless telecom networks - in meters) • Estimate of annual energy consumption savings by clients, indirect impact
Clean transportation	<ul style="list-style-type: none"> • Number of EV charging points (#)
Green Buildings	<ul style="list-style-type: none"> • Estimated annual CO₂ emission reduction (in t CO₂eq.) • Estimated annual energy savings (MWh) • Overview of sustainable labels and certificates for eligible buildings



7. External review

a) Second party opinion

This Stedin Green Finance Framework has been reviewed by ISS-oekom. The Second Party Opinion prepared by ISS-oekom as well as the Green Finance Framework will be made available to the Green Bond investors on <https://www.stedingroep.nl/eng/investor-relations>.

b) Verification

Stedin intends to request a limited assurance report by an independent auditor regarding the allocation of the proceeds from any Green debt instruments issued under this Green Finance Framework. Such report will be issued annually until all the proceeds of the Green debt instruments have been allocated, confirming that an amount equal to the net proceeds of the Green debt instruments have been allocated in compliance with the Eligibility Criteria set out in this Green Finance Framework.

DISCLAIMER

THIS DOCUMENT IS INTENDED TO PROVIDE NON-EXHAUSTIVE, GENERAL INFORMATION. THIS DOCUMENT MAY CONTAIN OR INCORPORATE BY REFERENCE PUBLIC INFORMATION NOT SEPARATELY REVIEWED, APPROVED OR ENDORSED BY SCB AND ACCORDINGLY, NO REPRESENTATION, WARRANTY OR UNDERTAKING, EXPRESS OR IMPLIED, IS MADE AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY SCB AS TO THE FAIRNESS, ACCURACY, REASONABLENESS OR COMPLETENESS OF SUCH INFORMATION.

THIS DOCUMENT 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 THE ASSUMPTIONS, FULLY STATED IN THE DOCUMENT. SCB HAS AND UNDERTAKES NO OBLIGATION TO UPDATE, MODIFY OR AMEND THIS DOCUMENT, THE STATEMENTS CONTAINED HEREIN TO REFLECT ACTUAL CHANGES IN ASSUMPTIONS OR CHANGES IN FACTORS AFFECTING THESE STATEMENTS OR TO OTHERWISE NOTIFY ANY ADDRESSEE IF ANY INFORMATION, OPINION, PROJECTION, FORECAST OR ESTIMATE SET FORTH HEREIN CHANGES OR SUBSEQUENTLY BECOMES INACCURATE.

THIS DOCUMENT IS NOT INTENDED TO BE AND SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL OR FINANCIAL ADVICE. IT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR ANY SOLICITATION OF ANY OFFER TO SUBSCRIBE FOR OR PURCHASE OR A RECOMMENDATION REGARDING ANY SECURITIES, NOTHING CONTAINED HEREIN SHALL FORM THE BASIS OF ANY CONTRACT OR COMMITMENT WHATSOEVER AND IT HAS NOT BEEN APPROVED BY ANY SECURITY REGULATORY AUTHORITY.

THE DISTRIBUTION OF THIS DOCUMENT AND OF THE INFORMATION IT CONTAINS MAY BE SUBJECT OF LEGAL RESTRICTIONS IN SOME COUNTRIES. PERSONS WHO MIGHT COME INTO POSSESSION OF IT MUST INQUIRE AS TO THE EXISTENCE OF SUCH RESTRICTIONS AND COMPLY WITH THEM.

THE INFORMATION IN THIS DOCUMENT HAS NOT BEEN INDEPENDENTLY VERIFIED. THE ADDRESSEE IS SOLELY LIABLE FOR ANY USE OF THE INFORMATION CONTAINED HEREIN AND SCB SHALL NOT BE HELD RESPONSIBLE FOR ANY DAMAGES, DIRECT, INDIRECT OR OTHERWISE, ARISING FROM THE USE OF THIS DOCUMENT BY THE ADDRESSEE.

