Second Party Opinion

N.V. Nederlandse Gasunie Sustainability-Linked Bond Framework

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Editor's note: This SPO report is based on S&P Global Ratings' "Analytical Approach: Second Party Opinions And Transaction Evaluations" dated Dec. 7, 2022, which was partly superseded by S&P Global Ratings' "Analytical Approach: Second Party Opinions: Use of Proceeds," dated Jul. 27, 2023, following the launch of our integrated use-of-proceeds SPOs.

N.V. Nederlandse Gasunie (Gasunie) operates and maintains infrastructure for the transmission, storage, and conversion of energy in Europe. It currently transports natural gas in the Netherlands and northern Germany. It facilitates the development of technology such as carbon capture, hydrogen infrastructure, the feed-in of green gas, and the construction and management of heat grids. Gasunie is 100% owned by the Dutch state and is headquartered in Groningen, the Netherlands.

In our view, Gasunie's sustainability-linked bond framework, published on Jan. 28, 2025, is aligned with:

- ✓ Sustainability-Linked Bond Principles, ICMA, 2024

Issuer's Sustainability Objectives

In 2024, Gasunie published its updated Climate Action Plan for 2030. The strategy consists of three pillars: energy transition, reducing direct emissions, and climate change adaptation. The first pillar focuses on investing heavily in projects for the transmission and storage of renewable and low-carbon energy. Gasunie has developed action plans for each type of energy it is targeting, namely hydrogen, captured carbon, waste heat, green gas produced, for example, from anaerobic digestion, and natural gas of the same quality as the high-calorific gas from the Groningen gas fields. Its long-term objective is to expand its operations by transitioning to an energy infrastructure company from a natural gas transmission system operator (TSO). The second pillar focuses on reducing operational emissions, including scopes 1 and 2, and scope 3 value chain emissions. Through the final pillar, Gasunie will work to ensure its assets are resilient against physical climate risks, such as extreme precipitation, drought, heat, and flooding. To achieve its goals, Gasunie estimates that it will need to invest €11.5 billion by 2030, of which €7.9 billion will be earmarked for energy transition projects, €2.5 billion for its natural gas infrastructure, and €1.1 billion for its liquefied natural gas (LNG) systems.

Gasunie developed its sustainability-linked framework to support its energy transition efforts. Furthermore, the company aims to align the financing framework with the recommendations of the Climate Transition Finance Handbook (CTFH). We consider it fully aligned with the first two elements of the CTFH, and partially aligned with elements three and four. Its full alignment with the first element on climate transition strategy and governance is supported by the fact that its supervisory and executive boards are responsible for implementing all sustainability initiatives. This includes, for example, supervising the executive board in its execution of Gasunie's energy transition strategy. Gasunie's climate plan is in line with the climate ambitions of the Dutch and German governments to reduce national emissions by 55% and 65% respectively, compared to 1990 levels. The framework adheres to the second element of the CTFH since the Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) listed in the framework will address most of Gasunie's reported direct and indirect emissions. In 2023, Gasunie started to calculate and report its full scope 3 emissions, and with the framework it seeks to address 77% of this exposure.

We consider the framework to be partially aligned with the third CTFH element related to the climate transition strategy and science-based targets. We view the KPIs and SPTs as science-based because they were developed using the Greenhouse Gas Protocol and the calculation methodology for emissions to air by the Dutch National Institute for Public Health and the Environment, which is based on the 2006 Intergovernmental Panel on Climate Change (IPCC) Guidelines for National Greenhouse Gas Initiatives. KPI 1 and 2 and SPT 1 and 2 are benchmarked against Gasunie's past performance, which has historically outperformed the peers it selected to establish the targets. KPI 3 and SPT 3 were developed using the Science Based Targets initiative (SBTi) as a proxy benchmark in absence of established guidelines for gas TSOs. That said, although Gasunie has performed a high-level assessment of the absolute future trajectory for the intensity based SPT 3, it has yet to disclose it publicly, which constrains our view. The framework is also partially aligned to the fourth element of the CTFH regarding implementation transparency. Gasunie has disclosed investments plans that cover most of its climate strategy. At the company level, its climate plan includes a breakdown up to 2030. For the period up to STP 3's second observation date in 2035, Gasunie has disclosed its investment plan for 2033 for its Dutch operations in accordance with the Gas Act requirements, and for 2032 for its German operations in the FNB Gas report, in which the investment plans of gas TSOs in Germany are collated. Its investments are in line with the Dutch and German governments' ambitions to focus on renewable and low-carbon gases. This is exampled by Gasunie's appointment to develop hydrogen transport infrastructure as part of the Hynetwork and Hyperlink projects, respectively. However, we note the plan does not formally include a complete phase-out of emissions-intensive natural gas, as recommended by the CTFH. We acknowledge that as a gas TSO, this is not directly within its control and depends on customer demand and national government decisions regarding energy supply security. While the Dutch government has included the ambition to phase out natural gas for the built environment by 2050 in its National Climate Agreement, the German governments' Climate Action Plan envisions the continued use of natural gas until 2050.

Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

KPI	SPT	Baseline	2023 performance
Methane emissions.	A reduction of methane emissions to a maximum of 70 kilotonnes (kt) of carbon dioxide equivalent (CO2eq) for a full calendar year, corresponding to a 55% reduction.	154 kt CO2eq (2020).	122 kt CO2 eq
Absolute scope 1 and 2 greenhouse gas emissions.	Total scope 1 and 2 market-based emissions in kt CO2e in 2030 will not exceed the value derived from 70 + (0.137 x transported gas volume in terawatt-hours [TWh]).	329 kt CO2 eq (2020).	490 kt CO2 eq
Scope 3 greenhouse gas emissions (intensity based).	A reduction of intensity-based scope 3 greenhouse gas emissions by 51.6% by 2030 and 66.3% by 2035.	0.42 kilograms (kg) CO2 eq / € spent (2023).	0.42 kg CO2 eq / € spent

Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment ✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

KPI 1	Methane emissions.	Not aligned	**Aligned**	Strong	Advanced
KPI 2	Absolute scope 1 and 2 greenhouse gas emissions.	Not aligned	**Aligned**	Strong	Advanced
KPI 3	Scope 3 greenhouse gas emissions (intensity based).	Not aligned	**Aligned**	Strong	Advanced

Calibration of sustainability performance targets (SPTs)

Alignment ✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

SPT 1	A reduction of methane emissions to a maximum of 70 kt CO2eq for a full calendar year.	Not aligned	Aligned	**Strong**	Advanced
SPT 2	Total scope 1 and 2 market-based emissions in kt CO2e in 2030 will not exceed the value derived from 70 + (0.137 x transported gas volume in TWh).	Not aligned	**Aligned**	Strong	Advanced
SPT 3	A reduction of intensity-based scope 3 greenhouse gas emissions by 51.6% by 2030 and 66.3% by 2035.	Not aligned	**Aligned**	Strong	Advanced

Instrument characteristics

Alignment ✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

Under the framework, the sustainability-linked bonds will be subject to changes in their financial characteristics based on its performance against the SPTs. Failure to achieve the SPTs will result in a step-up or upward margin adjustment and may also require a cash premium payment at bond maturity. Conversely, achieving the SPTs will result in a step-down or downward margin adjustment. The issuer commits to using all three KPIs defined in the framework for each transaction.

Reporting

Alignment ✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

Score	Not aligned	Aligned	**Strong**	Advanced

Gasunie commits to publishing on its performance against the SPTs on an annual basis in its sustainable finance and/or annual report. If the report coincides with the observation date of the SPTs, it will also include an assessment of whether the targets have been met. Gasunie also commits to publishing any adjustments to the SPTs and baselines, as well as changes in the calculation methodologies, any events that might affect the KPIs and SPTs, and any information relevant to evaluating the ambition of the SPTs, such as updates to the sustainability strategy. It will also publish an annual verification report on the performance of the KPIs relative to the SPTs.

Post-issuance review

Alignment ✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

Gasunie commits to obtaining independent and external post-issuance verification at the limited assurance level for its KPIs performance against each relevant SPT. The report will be published on an annual basis on Gasunie's website.

Framework Assessment

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer's sustainability disclosures; and how material it is to the issuer's industry and strategy.

✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

KPI 1	Methane emissions	Not aligned	**Aligned**	Strong	Advanced

We believe this KPI is aligned with the Principles because its scope, objective, and calculation are clearly articulated in the framework. The KPI covers methane emissions resulting from the operation and maintenance of Gasunie's natural gas infrastructure in the Netherlands and Germany. These include fugitive emissions due to natural gas leakages and controlled emissions from pneumatic regulator venting, depressurizing compressors, and gas vented during maintenance on the network.

The KPI addresses a relevant issue for gas TSOs, as signaled by the EU Methane Regulation. The regulation requires the measuring, monitoring, reporting, and reduction of methane emissions from fossil fuel energy, including natural gas. In addition, it is a component of the operational emissions reduction pillar of Gasunie's climate plan and has been identified as a priority through its double materiality assessment. Methane is an important source of emissions in Gasunie's carbon footprint. The framework discloses externally verified historical information indicating that, in 2023, methane accounted for 34% of scope 1 emissions and 11% of total emissions.

That said, methane emissions released upstream and downstream of Gasunie's operations are not included in the scope of this KPI (upstream methane leakages are included in the scope of KPI 3). This is because there is currently no established methodology for gas TSOs that requires these emissions be included in carbon footprint calculations. As such, it is difficult to determine how material the emissions in scope of this KPI are relative to the rest of the value chain. Although we acknowledge that Gasunie has no control over the volume of gas that is transported through its network, it plays a crucial role in the value chain of an emission-intensive fossil fuel that, according to the International Energy Agency (IEA), accounted for 24% of total EU energy-related emissions in 2022. Furthermore, the measures identified to reduce methane also carry a risk of emissions lock-in since they could prolong the use of its gas pipeline, thereby enabling the continued burning of natural gas by its end users. As part of the REPowerEU Plan, long-term contracts for unabated fossil gases will not run beyond 2049 to allow for the increased uptake of renewable and low-carbon alternatives. The EU has also set a legally binding target to achieve 42.5% renewable energy by 2030. In line with these objectives, the Dutch government aims to phase out the use of natural gas for residential and industrial purposes by 2050. Therefore, although this KPI will address a material issue for Gasunie's current reported carbon footprint, it constitutes an intermediate step that is not fully aligned with the EU's longer-term climate goals. Indeed, Gasunie is seeking to invest heavily in transmission and storage infrastructure for renewable and low-carbon energy sources, including captured carbon and green hydrogen. However, this is not within scope of this KPI.

We understand from Gasunie that the 1,746 km increase in the German gas transmission network anticipated in the National Development Plan 2020-2030, will not have a substantial impact on its emissions performance. This is because the company's exposure to this market is limited since most of its operations are in the Netherlands.

Gasunie calculates its methane emissions according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, which allows for external benchmarking. It has used a global warming potential (GWP) of 28, as defined in the IPCC's Fifth Assessment Report (2014), to calculate its methane emissions, in accordance with guidance published by the Dutch National

Institute for Public Health and the Environment. The IPCC set this GWP for a 100-year time horizon, which encourages the overall reduction of greenhouse gases instead of siloing those with higher values. A GWP of 28 is an increase compared to the GWP of 25 used in Gasunie's previous sustainability-linked bond framework (2021). However, the IPCC's Sixth Assessment Report (2023) set a slightly higher GWP of 29.8. We view the KPI expressed in absolute terms positively because it provides a clear indication of the actual reduction in methane emissions.

KPI 2	Absolute scope 1 and 2 greenhouse gas emissions	Not aligned	**Aligned**	Strong	Advanced

We maintain that this KPI is aligned with the Principles because its scope, objective, and calculation are clearly articulated in the framework. The KPI covers the scope 1 emissions resulting from the operation of Gasunie's gas pipeline (methane), and those from the use of gas for compressors, compression engines, heating in buildings, and boilers at gas receiving stations. It also includes scope 2 emissions from the electricity procured for its electrical compressors and nitrogen production. The reduction of direct emissions is material because combined they accounted for 57% of Gasunie's total market-based emissions in 2023 and were identified as a priority in its double materiality assessment.

The KPI addresses a relevant issue for gas TSOs, for, as reported by the IEA, the energy required to extract, process, and transport natural gas resulted in 450 megatonnes of carbon dioxide equivalent (CO_2eq) in 2022. ICMA's KPI registry also considers reducing scope 1 and 2 emissions to be core for energy companies. For gas TSOs, reducing these emissions can be challenging because they depend on the volume, flow direction, and pressure of the gas being transported through the network, as well as on energy security needs as determined by governments and the utilities that lease pipeline capacity. To account for this, Gasunie's KPI considers the volume of gas transported through the network in the calculation of the targeted emissions reduction.

However, as outlined for KPI 1, natural gas is an emission-intensive fossil fuel that is categorized as a transitional fuel in the EU and is not aligned with the EU's 2050 net-zero goal. Therefore, while decreasing scope 1 and 2 emissions will result in some climate benefits, the continued extraction and combustion of natural gas constitutes a larger risk of emissions lock-in. Gasunie's investments in transmission and storage infrastructure for hydrogen, green gas, heat, and captured carbon by 2030 are likely to have a more substantial impact on the company's overall carbon footprint.

Under a market-based approach, scope 1 and scope 2 accounted for 73% and 27% of Gasunie's reported direct emissions, respectively. It is positive that the framework discloses externally verified historical market-based data related to the KPI performance from 2020 to 2023. Under a market-based approach, Gasunie uses emissions from the sources of purchased electricity, proven by guarantees of origin (GOs). Although this is a common approach, we think it does not necessarily indicate improvements in emissions. This is because companies are allowed to report emissions based on their contracts with renewable energy suppliers. This practice can be problematic because it often relies on the use of renewable energy certificates, which may not always reflect actual environmental benefits if the renewable energy claimed is not directly sourced or consumed by the reporting entity (see "Purchased Energy Emissions in Second Party Opinions and ESG Evaluations", published March 23, 2023, on RatingsDirect). In addition, a market-based approach does not enable the creation of additional renewable capacity, which we consider to have greater climate benefits. We note Gasunie aims to move away from coal and gas in its electricity consumption. In 2023, it purchased GOs from European wind farms for its Dutch operations, and 100% of its electricity demand in Germany was supplied by European hydroelectric power stations. We consider the location-based method of calculating emissions to be more useful because it closely tracks emissions reductions at the company level. Under this approach, scope 1 and 2 emissions in 2023 were 34% higher than those calculated using a market-based approach, with scope 2 emissions being 67% higher at 410.8 kilotonnes CO_2eq compared to 133.6 kilotonnes CO_2eq. That said, we note there are limitations to using the location-based method as well, including a greater emphasis on energy use reductions compared to the market-based approach.

KPI 3	Intensity-based scope 3 greenhouse gas emissions	Not aligned	**Aligned**	Strong	Advanced

We think this KPI is aligned with the Principles because its scope, objective, and calculation are clearly articulated in the framework. The KPI covers indirect scope 3 emissions from the manufacture and transport of purchased goods, namely nitrogen, fuels, steel, and electricity, and construction services. Reducing scope 3 emissions is material because these categories combined account for 43% of Gasunie's total carbon footprint.

The KPI targets a relevant issue, since it covers 77% of the issuer's reported total scope 3 emissions, of which 29% stem from the procured steel, 28% from construction services, 11% from purchased fuel and energy, and 8% from procured nitrogen. The reduction of its emissions has been identified as material in Gasunie's double materiality assessment and is considered core in ICMA's KPI Registry.

Gasunie uses the GHG Protocol to calculate its scope 3 emissions, though, as outlined in KPI 1 and 2, there is currently no guidance specific to gas TSOs. As such, Gasunie is not required to report on the emissions generated by the extraction and combustion of the gas transported through its network. This is because, as a TSO, it does not own the gas but merely transports it. Gasunie estimates that, in 2023, emissions from the use of the transported gas resulted in 197 megatonnes of CO2eq, assuming it was all burned. This is substantially more than the 393.7 kilotonnes of CO2eq reported by Gasunie and included in the scope of this KPI. Therefore, although the KPI addresses a key component of Gasunie's reported carbon footprint, it does not target the most material source of emissions in the gas value chain, namely the use of natural gas by end users. We acknowledge that, as a TSO, Gasunie does not itself control the volume of gas transported through its network, but note that it is taking other measures within its transition plan to reduce emissions for energy end users.

The KPI is expressed as an intensity metric in terms of scope 3 emissions per euro spent (kg CO2eq per euro). Gasunie expects its procurement of goods and services to increase due to its planned investments up to 2030 in transmission and storage infrastructure for renewable and low carbon gases. We consider intensity-based KPIs to be weaker than those in absolute terms because they allow for increases in spending or production capacity and increases in absolute emissions, despite reductions in their intensities.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

SPT 1	Methane emissions of maximum of 70 kt CO2e by 2030.	Not aligned	Aligned	**Strong**	Advanced

We consider the ambition, clarity, and characteristics of this SPT to be strongly aligned with the Principles. The framework clearly mentions the expected observation periods, baseline, and trigger events. The target was part of the issuer's 2021 sustainability-linked framework and, though it has been on track to achieve it in the intervening years, we believe it remains ambitious. This is because it will require greater reductions than those achieved in the past. Between 2020 and 2023, Gasunie's methane emissions showed a compound annual reduction rate of -7%, reaching 122 kt CO2eq in 2023.

Between 2023 and 2030 the expected annual rate to achieve SPT1 is -8%, which is more ambitious than past performance. In addition, this KPI was revised in 2023 to increase the GWP to 28 from 25, which, according to Gasunie, will make achieving SPT1 10.7% more challenging. This is because the higher GWP for methane, under the same 70 kt CO2e target, necessitates that Gasunie reduce a greater amount of methane from its operations.

The framework includes a peer benchmark of methane related to past performance and future targets. Gasunie has historically performed better than its peers and will continue to do so if it achieves its target. It has also shared with us a peer comparison of methane intensities. Within this group, Gasunie's target is better than all but one of the identified companies and, because their starting point is higher, the company's peers are aiming to achieve greater reductions. It is important to note, however, that each company has a different business model, which limits full comparability.

The methane emission reduction target is set in the context of the EU Methane Regulation (2024/1787) on the reduction of methane emissions in the energy sector. It requires companies involved in the placing of natural gas on the EU market to measure, verify, report, and reduce the intensity of their methane emissions. The target was also developed to contribute to the Netherlands' and Germany's participation in the Global Methane Pledge, which aims to reduce global methane emissions by at least 30% by 2030.

It is positive that the framework outlines the issuer's strategy to achieve this SPT. In line with the EU Methane Strategy, Gasunie plans to increase the use of leak detection and repair (LDAR) to detect leaks along its network using the NEN-EN 15446 measuring methodology developed by the U.S. Environmental Protection Agency. Other measures include reducing natural gas venting (the direct and controlled release of methane gas to the atmosphere for emergency and safety purposes); nitrogen displacement to avoid gas venting; and mobile flaring (burning gas instead of releasing it). These measures have been included in Gasunie's asset management capital expenditure plan for 2024-2033. Between 2023 and 2025, Gasunie's efforts to reduce methane leakages will be managed by a dedicated taskforce, namely the BERK taskforce. To further encourage the reduction of emissions, Gasunie applies an internal carbon price of €200 per tonne of CO2.

Gasunie has also identified factors that could inhibit its ability to achieve this SPT, such as the need to rapidly adapt to changing energy and regulatory demands.

Baseline

2020	**2030**
154 ktCO2e	70 kt CO2e
	Equivalent to 54.55% reduction

SPT 2	Total scopes 1 and 2 market-based emissions in kt CO2e in 2030 will not exceed the value derived from 70 + (0.137 x transported gas volume in TWh).	Not aligned	**Aligned**	Strong	Advanced

We consider the ambition, clarity, and characteristics of this SPT to be aligned with the Principles. The framework clearly mentions the expected observation period, and baseline. The SPT is expressed as a cap in absolute terms on the maximum level of scopes 1 and 2 emissions permissible in 2030. Gasunie's scopes 1 and 2 emissions depend on the volume of gas transported through its network. Because this is not under its direct control, the cap is determined by adding Gasunie's 2030 target for methane emissions with the emissions resulting from the transport of gas through its network.

The target was part of Gasunie's 2021 sustainability-linked framework, and we believe it remains ambitious because of the significant challenges hindering its achievement. This is indicated by its past performance, which is currently not on track to meet the 2030 target. Between 2020 and 2023, the company's market-based scopes 1 and 2 emissions had a compound annual rate of +14%, reaching 490 kt CO2eq for 973 TWh of transported gas in 2023. This was a 26% increase from the 390 kt CO2eq for 1,108 TWh of transported gas in 2022. During the same period, the intensity of its non-methane scopes 1 and 2 emissions experienced a compound annual rate of 28%, increasing by 44% between 2022 and 2023.

Gasunie outlines in the framework that the main reason for its worsened emissions performance during that period was the disruption of gas supply in the EU resulting from the war in Ukraine. The supply of high-pressure pipeline gas from Russia decreased relatively quickly, leading to changes in the flow direction with imports from Norway and via LNG terminals. The low-pressure gas, as opposed to the high-pressure one from Russia, required additional compression, which, in turn, increased Gasunie's energy, electricity, and heat usage. The establishment of a temporary LNG terminal, EemsEnergyTerminal (EET), further increased scopes 1 and 2 emissions because of its use of the vessels' generators, and heat from the Eemshaven natural gas power plant operated by energy company RWE during winter periods.

The framework states that, assuming the same volume of gas as that in 2020 (1,085 TWh), in 2030 scopes 1 and 2 emissions will need to be 219 kt CO2eq or lower, which is roughly a 55% reduction from 2023 and 34% from the base year of 2020. This will require an annual reduction of 11% in 2023-2030 for Gasunie's market-based scopes 1 and 2 emissions. In addition, during the same period, the intensity of non-methane-related emissions will need to decrease by 13% to reach approximately 0.137, which is a 64% reduction from 2023. We thus view as positive that the issuer has maintained the previously set target and trajectory. However, our view is constrained by the small reduction in the carbon intensity of scopes 1 and 2 emissions, relative to the base year, with the removal of performance linked to the energy crisis and use of the EET. To achieve the target, the intensity of Gasunie's non-methane direct emissions will only need to decrease 15% in 2030 compared to 2020. In addition, the framework's recalculation policy stipulates that if an event causes the value of the KPI to change by 5% or more--for example due to a further energy crisis in the EU, or if the EET continues to be operated beyond 2027--the SPT and/or baseline can be recalculated. In turn, this could affect the overall ambition of the SPT. That said, we note that Gasunie has committed to obtaining external verification should the recalculation policy be triggered and to publish any adjustments on its website. If the EET operates beyond 2027, Gasunie does not yet have a strategy for its decarbonization. Given that the EET currently accounts for about 40% of the issuer's natural gas consumption in the Netherlands, this could mean continued high emissions.

Gasunie has benchmarked its scopes 1 and 2 emissions performance and target against those of its European peers. It has historically performed better than its peers in this regard. That said, we note that the peer benchmark in the framework only includes data from 2016 to 2020 and does not factor in 2021 to 2023. In addition, the framework states that forecast data from 2020-2029 is included only for illustrative purposes and does not reflect Gasunie's SPT trajectory. The issuer shared with us a comparison of scopes 1 and 2 emissions intensity for its peers. It shows that if it achieves its target in 2030, its scopes 1 and 2 emissions will be lower than its peers'. However, the selected peers have different business models, which prevents full comparability.

The issuer has outlined its strategy to achieve this SPT in the framework. In addition to measures identified to reduce methane emissions for SPT1, by 2029 it aims to replace all gas-emitting pressure regulators in new or refurbished installations with zero-emissions alternatives. It will also seek to implement electric-drive compressors and limit energy needs at gas-receiving stations by adjusting the pressure and temperature of the gas and adopting hybrid heat pump systems. It is working to use low carbon sources for its electricity and energy needs.

In 2023, Gasunie covered 1.9 million cubic meters of its gas consumption in the Netherlands with GOs and has signed a power purchase agreement to obtain one-quarter of its electricity from a Dutch wind farm from 2024. It aims to improve its 24/7 Carbon-Free Energy (CFE) score to 25% in 2025 and to 60% in 2030. The CFE score was first proposed by Google and is designed to show whether a volume of electricity is matched with renewable sources. Other measures include mandating that all company-leased cars be electric from 2021 onward and replacing inefficient boilers at Gasunie's head office.

The framework identifies factors that are outside Gasunie's control that could prevent it from achieving this SPT. This includes the closure of the low-calorific Groningen gas field, since it requires the import of high-calorific gas that is currently not compatible with boilers used in the Netherlands. To address this issue, natural gas is blended with nitrogen to convert high-calorific gas to low-calorific gas of the same quality. This process requires more compression, which in turn increases emissions.

Baseline

2020	**2030**
329 kt CO2 eq	70 + (0.137 x volume of transported gas in TWh)

SPT 3 Reduction of intensity-based scope 3 greenhouse gas emissions by 51.6% by 2030 and 66.3% by 2035

Not aligned | **Aligned** | Strong | Advanced

We consider the ambition, clarity, and characteristics of the SPT to be aligned with the Principles. The SPT is expressed in kg CO2eq per euro spent. The issuer aims to reduce its scope 3 emissions per euro spent by 51.6% by 2030 and 66.3% by 2035, against a 2023 baseline.

Despite a lack of finalized guidance for the oil and gas sector on establishing science-based targets, Gasunie has relied on the SBTi's Corporate Net Zero Standard as a proxy methodology to establish this SPT in line with the 2-degree Celsius reduction pathway of the Paris Agreement. Since Gasunie generates more than 50% of its revenue from fossil fuels, it is not able to obtain external validation on the SPT. In the absence of established benchmarks or guidelines, we consider the use of the proxy benchmark to be sufficient for the SPT to be aligned with the Principles. The SPT covers 77% of Gasunie's reported scope 3 emissions, which follows the SBTi requirement that two-thirds of a company's scope 3 emissions be included in its greenhouse gas reduction targets. It is positive that the framework includes updates in SPTs resulting from the availability of external validation or benchmarks in its recalculation policy.

Based on the targeted emissions reduction, the implied compound annual reduction rate is -10% until 2030 and -9% until 2035. However, because Gasunie started measuring and reporting its full scope 3 emissions in 2023, we are unable to compare the expected trajectory of the SPT with its past performance. This, in turn, limits our assessment of the target. Gasunie has conducted a comparison of this SPT with similar targets of its European peers. Although all these companies aim to reduce their scope 3 emissions, the targets differ in the categories they include, the baselines, the time horizons, and the amount, making it challenging to benchmark this SPT. In addition, Gasunie is the only company of its peer group to have an intensity-based metric.

The framework outlines the issuer's strategy to achieve the SPT, such as procuring low-carbon steel, including emissions criteria in supplier tenders, using GOs for nitrogen emissions, and working with contractors to reduce their emissions. According to Gasunie, reducing its scope 3 emissions will contribute to its ambition to cease being a net contributor to global warming by 2045. That said, we note that due to the lack of calculation methodologies for gas companies, as outlined throughout this report, this target does not include the most material source of emissions in the gas value chain, namely those from the use of the gas transported through its network.

The framework also identifies factors that could affect Gasunie's ability to achieve the SPT, namely the lack of available accurate data. We note that improvements in data are included in the framework's recalculation policy for SPTs and/or baselines. To mitigate the risk of being unable to procure low-carbon materials or renewable electricity for its construction sites, Gasunie and its contractors have signed the Clean and Emissions-Free Construction Covenant.

Baseline

2023	**2030**	**2035**
0.42 kg CO2 eq/euro spent	0.20 kg CO2 eq/euro spent	0.14 kg CO2 eq/euro spent
	Equivalent to a 51.6% reduction	Equivalent to a 66.3% reduction

Instrument characteristics

The Principles require disclosure of the type of financial and/or structural impact involving trigger event(s), as well as the potential variation of the instrument's financial and/or structural characteristics.

✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

Gasunie discloses under its sustainability-linked bond framework that instruments under the framework will be subject to changes in the financial characteristics triggered by the observed performance against the stated SPTs.

The approach that will affect the financial characteristics of a given instrument will be specified in the final terms of its documentation. Failure to meet the SPTs will result in a step-up or upward adjustment in the margin during the lifetime of the bond following the observation date and may also result in the payment of a cash premium at maturity of the bond. Conversely, achievement of the SPTs will result in a downward margin adjustment. We note that, should the recalculation policy be triggered by the extension of the EET beyond 2027, changes to its baselines or SPTs could lead to continued emissions from its use of natural gas.

Gasunie commits to using all three KPIs in each sustainability-linked transaction under this framework.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024.

Disclosure score	Not aligned	Aligned	**Strong**	Advanced

We consider Gasunie's overall reporting practices to be strong. The company commits to publishing on its performance against the SPTs in its sustainable finance and/or annual report on a yearly basis. If the report coincides with SPT observation dates, the report will also include an assessment of whether the SPT has been achieved. In addition, Gasunie will publish a verification report of its KPIs performance relative to the SPTs. This report will include a description of the impacts of the SPTs on the financial characteristics of the bonds.

We view as a strength that any adjustments to the baseline or SPTs resulting from the recalculation policy being triggered will be disclosed on the Debt Program page on Gasunie's website. This policy may be triggered due to changes in the KPI calculation methodology, Gasunie's perimeter, or applicable regulations; continuation of the EET's operations beyond 2027; any event that may have a significant impact on the baseline or level of any SPT that leads to an increase or decrease in the value of the related KPI by 5% or more; or the availability of external validation or benchmarks.

Moreover, Gasunie will include in its annual reporting any changes in the calculation methodologies or significant events that may affect the KPIs or SPTs. It is positive that it will also release any information that could be used to assess the level of ambition of the SPTs, namely updates to its sustainability strategy, the KPIs, and sustainability governance, as well as relevant mergers and acquisitions. We consider it best practice to disclose the positive sustainability impacts of the performance improvements related to its KPIs.

Post-issuance review

The Principles require post-issuance review commitments including the type of post-issuance third-party verification, periodicity and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note, our second party opinion is not itself a post-issuance review.

✓ Gasunie's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles, ICMA, 2024..

Gasunie commits to obtaining independent and external post-issuance verification to the limited assurance level of its KPIs' performance against each SPT, as per the Principles. This will be published on an annual basis on its website and will follow the International Standard on Assurance Engagements ISAE 3000 Revised Assurance Engagements Other Than Audits or Reviews of Historical Financial Information standard issued by the International Auditing and Assurance Standards Board.