



# Second-Party Opinion ITC Green Bond Framework

## Evaluation Summary

Sustainalytics is of the opinion that the ITC Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation and Environmentally Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments and expenditures in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11, 13, and 15.



**PROJECT EVALUATION / SELECTION** ITC Holdings Corp’s internal process in evaluating and selecting projects is the responsibility of a dedicated committee consisting of members of different business units from across ITC, including Treasury, Finance, Accounting and Engineering. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** ITC Holdings Corp’s Treasury department will be responsible for tracking the amount of net proceeds raised from any issuance under the Framework. Pending allocation, ITC will hold net proceeds in cash or cash equivalents or be used to repay outstanding debt. This is in line with market practice.



**REPORTING** ITC Holdings Corp intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects or categories, a list of eligible categories and descriptions, and the amount of unallocated net proceeds. ITC will also report on relevant impact metrics including CO<sub>2</sub> emissions avoided, renewable energy sources connected and energy savings per year. Sustainalytics views ITC Holdings Corp’s allocation and impact reporting plan as aligned with market practice.

<b>Evaluation Date</b>	June 18, 2021
<b>Issuer Location</b>	Novi, U.S.

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## Introduction

ITC Holdings Corp. (“ITC”, or the “Company”) is an independent electricity transmission company headquartered in Novi, Michigan. ITC is a wholly-owned subsidiary of ITC Investment Holdings, of which Fortis Inc. (“Fortis”) owns a majority indirect equity interest. Fortis is a Canadian-based internationally diversified electric utility holding company. ITC and its regulated operating subsidiaries<sup>1</sup> own and operate high-voltage transmission infrastructure in the Midwestern U.S, spanning over 7 states, with 699 employees and 25,800 km of service territory.

ITC has developed the ITC Green Bond Framework (the “Framework”) under which it or its subsidiaries intends to issue green bonds and use the proceeds to finance and/or refinance in whole or in part, projects that increase renewable electricity distribution and contribute to meaningful GHG emissions reductions. The Framework defines eligibility criteria in six areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Climate Change Adaptation
6. Environmentally Sustainable Management of Living Natural Resources and Land Use

The inaugural instrument under the Framework is expected to be issued by Michigan Electric Transmission Company, LLC (METC).

ITC engaged Sustainalytics to review the ITC Green Bond Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021 as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of ITC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. ITC representatives have confirmed (1) they understand it is the sole responsibility of ITC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> Subsidiaries of ITC: ITC Transmission, Michigan Electric Company (METC), ITC Midwest and ITC Great Plains.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The ITC Green Bond Framework is available on ITC Holdings Corp’s website at: <https://itc-holdings.com/itc/about-us/fixed-income-investors>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and ITC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that ITC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the ITC Green Bond Framework

Sustainalytics is of the opinion that the ITC Green Bond Framework is credible and impactful and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of ITC's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the GBP.
  - ITC intends to fully allocate the net proceeds of any green bond offering within 36 months of issuance and may allocate proceeds to expenditures that occurred during the 24 months prior to the issue date of the bond.
  - Within the Renewable Energy category, ITC intends to invest in electricity transmission infrastructure that will increase or has the potential to increase the renewable energy available to the grid.
    - Renewable energy resources are defined as wind generation, solar generation facilities and/or battery storage system facilities, which is in line with market practice.
    - Projects may include direct connections or other network upgrades determined to be required to support renewable energy integration. ITC has confirmed that, should upgrades be driven by a batch study of multiple interconnection requests, all generation facilities in the batch shall be renewables.
  - In addition, within the Renewable Energy category, ITC intends to finance monitoring systems and breaker changeouts to mitigate releases of SF<sub>6</sub>, which is highly potent greenhouse gas. Sustainalytics notes the importance of integrating such monitoring equipment for SF<sub>6</sub>, a critical chemical to the operation of ITC's switchgears and circuit breakers.
  - Under the Energy Efficiency category, the Company considers investments to reduce energy consumption, such as energy storage, retrofits, and the installation of new energy efficient technologies.
    - Sustainalytics considers financing of energy storage systems and improved power management systems to be aligned with market practice.
    - Sustainalytics notes that the Framework specifies a threshold of 30% improvement for energy retrofits, which is aligned with market practice.
  - Within Clean Transportation, the Company intends to make investments in electric vehicles or hybrid vehicles and related infrastructure including charging stations and transmission systems.
    - Sustainalytics notes positively that ITC intends to invest in electric vehicles or hybrid vehicles that operate at <50g CO<sub>2</sub>/km.

- Under the Green Buildings category, projects include the (i) the acquisition or construction of buildings that are certified under either LEED (Gold or Higher) or Energy Star (score of 85 or higher) and/or (ii) renovations of existing buildings that achieve at least 30% energy savings compared to the baseline performance prior to any renovations. Sustainalytics views this criterion and the selected green building certifications and associated levels to be in line with market practice. Please refer to Appendix 1 for more details.
  - Within the Climate Change Adaptation Category, ITC intends to upgrade and improve transmission infrastructure to mitigate adverse impacts and increase resiliency to climate change-related weather events. ITC has confirmed that it will only invest in projects that have undergone a climate change vulnerability assessment. This is in line with market practice.
  - ITC has confirmed with Sustainalytics that future projects under this category will be accompanied by an adaptation plan.
- Under the Environmental Stewardship category, ITC intends to invest in projects that reduce the impact of its facilities on land and terrestrial biodiversity including restoration, creation and protection of habitat and species management. Sustainalytics considers this to be in line with market practice.
- Project Evaluation and Selection:
  - ITC will create a committee consisting of representatives from its Engineering, Treasury, Accounting and Finance teams to be responsible for assessing and selecting eligible projects on an annual basis. The committee will oversee the internal tracking system and ensure that project selection aligns with the Framework.
  - Based on the presence of a cross-departmental committee, Sustainalytics considers ITC's process for project evaluation and selection to be in line with market practice.
- Management of Proceeds:
  - ITC's Treasury department will be responsible for tracking the net proceeds from the sale of any green bonds.
  - Pending allocation, an amount equal to the net proceeds will be held temporarily in cash or cash equivalents or used to repay outstanding indebtedness.
  - Based on the outlined criteria, Sustainalytics considers ITC's approach to management of proceeds to be in line with market practice.
- Reporting:
  - ITC intends to publish an allocation and impact report on its website on an annual basis, until full allocation of net proceeds. Within the report, the Company intends to include details such as total funds raised through issuances under the Framework, a category-level breakdown of projects funded, and the balance of unallocated funds.
  - The Company also intends on reporting project performance using qualitative and where feasible, quantitative impact metrics for each category of investment where feasible. Metrics may include CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>e), expected energy savings per year (MWh), and renewable energy sources connected (MW).
  - The Green Bond Report will be accompanied by (i) assertions by management of ITC that an amount equal to the net proceeds of an offering of bonds was disbursed to Eligible Projects, and (ii) an attestation report from an independent accountant. This is conducted in respect of the independent accountant's examination of management's assertion which is carried out in accordance with attestation standards established by the American Institute of Certified Public Accountants.
  - Sustainalytics considers this process to be in line with market practice.

Sustainalytics has determined that the ITC Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Performance of ITC

### Contribution of framework to ITC Holdings Corp's sustainability strategy

Sustainalytics is of the opinion that ITC demonstrates a clear commitment to sustainability with a focus on the following environmental initiatives: (i) purchasing and using environmentally preferable materials,

products and services; (ii) eliminating or reducing emissions and wastes at the source; (iii) properly storing, handling and disposing of all wastes; (iii) pursuing opportunities to recycle and reuse waste materials; (iv) communicating ITC's sustainability measures and pollution prevention technology, knowledge and methods with business partners and the public; and (v) encouraging responsible use of energy. The Company's ongoing environmental efforts are captured in a report it published in 2020 entitled "Our Commitment to the Environment" (the "Report").<sup>5</sup> Sustainalytics highlights the following aspects of the Company's environmental strategy, noting its alignment with the activities in the Framework:

- **Renewable Energy:** In 2015, ITC worked closely with various stakeholders in Michigan to build the 140-mile Thumb Loop transmission project, helping the state achieve its renewable energy goals. The Thumb Loop now serves as a core part of a system designed to meet the identified maximum wind energy potential of the region. As of 2020, ITC had 6,424 megawatts of wind energy production capacity connected to its systems in Iowa, Minnesota, Michigan, Kansas, and Oklahoma. More recently, in 2019, ITC constructed a 174-kilometer transmission line to facilitate the integration of wind energy use by electricity customers around the U.S. Midwest.
- **Energy Efficiency:** Since 2015, Fortis (ITC's parent company) has experienced a 15% decrease in GHG emissions, which it primarily attributes to the acquisition of ITC in 2016, highlighting ITC's low carbon footprint.<sup>6</sup>
- **Environmental Stewardship:** Since 2011, ITC's environmental stewardship activities across all of its operations have been driven by an ISO-14001-based environmental management system. In 2014, ITC worked with the U.S. Forest Service, the U.S. Fish and Wildlife Service and the Michigan Department of Natural Resources to plan a 21-mile rebuild of a deteriorating transmission line across the Manistee National Forest in Michigan, which houses a habitat for the federally endangered Karner blue butterfly. With support from government partners, the Company applied for a Certificate of Inclusion in the Statewide Habitat Conservation Plan, allowing the Company to perform this work using state-recommended mitigation and monitoring procedures.

In addition, ITC works closely with the U.S. Fish and Wildlife Service, U.S. Forest Service, Department of Environment Great Lakes and Energy, Iowa Department of Natural Resources, Minnesota Department of Natural Resources, Minnesota Pollution Control Agency, Kansas Department of Wildlife and Parks, and various other federal agencies to ensure that its projects are complying with the respective agencies' regulations. The Company has been awarded the Wildlife Habitat Council (WHC) Pollinator Advocate Award, which recognizes the Company's land management practices to support birds, bees, butterflies, and the general enhancement of the habitats in which it operates.

Sustainalytics is of the opinion that most categories of the ITC Green Bond Framework are aligned with the Company's ongoing sustainability efforts and will further the Company's action on its key environmental priorities.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are anticipated to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated with the eligible projects could include occupational health and safety, community relations/stakeholder participation, land use and biodiversity issues associated with large-scale infrastructure development, and emissions, effluents, and waste.

Sustainalytics is of the opinion that through Fortis Inc's ESG policies and practices, and its own on-site requirements and measures, ITC is able to manage and/or mitigate potential risks through implementation of the following:

- Regarding health and safety, all of the facilities under Fortis Inc.'s management are required to run extensive health and safety management programs that align with ISO 45001, OHSAS 18001, or an equivalent standard.<sup>7</sup>

<sup>5</sup> ITC, "Our Commitment to the Environment", (2020), at: [https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc\\_environment\\_brochure\\_2020-1019\\_final.pdf?sfvrsn=776dcbf6\\_2](https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc_environment_brochure_2020-1019_final.pdf?sfvrsn=776dcbf6_2)

<sup>6</sup> Fortis Inc., Sustainability 2020 Report, at: [https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498\\_4](https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498_4)

<sup>7</sup> *Ibid.*

- ITC is committed to establishing a dialogue with stakeholders, with a focus on collaborating with industry associations, government, investors and supporting community-based projects.<sup>8</sup> Some examples include:
  - ITC worked closely with various stakeholders in Michigan, including its customers and the government, to build the 140-mile Thumb Loop transmission project to help the state reach its renewable energy target, without adversely impacting local communities.<sup>9</sup>
  - ITC collaborates with national organizations including the U.S. Fish and Wildlife Service and state wildlife agencies to preserve the natural environment.<sup>10</sup> This includes conducting environmental assessments when planning grid infrastructure, with a focus on sensitive habitats such as wetlands, and those with threatened and endangered species.
  - ITC also works with local communities to address declines in natural lands and habitats, including native prairies.
- To mitigate land use and biodiversity issues, ITC’s environmental team has developed a geographic database of rare plant and animal species and unique natural ecosystems that occur within proximity of ITC power plants.<sup>11</sup> The database helps the Company develop techniques to avoid disturbing rare plants, species, and habitats. In addition, ITC maintains an integrated vegetation management program to protect electric reliability and public safety from trees and high-voltage power lines.
- ITC manages waste in accordance with ISO 14001-aligned environmental management programs and local regulations.<sup>12</sup> As of 2020, approximately 47% of waste material from its main corporate campus is diverted from landfills.<sup>13</sup> The Company has also implemented a waste reduction program at four of its warehouses in Michigan and Iowa.
- Regarding emissions, ITC voluntarily joined the U.S. Environmental Protection Agency’s SF<sub>6</sub> Emission Reduction Partnership for Electric Power Systems in 2005. Since joining this partnership, ITC has reported on its emissions regularly, established an inventory tracking of its SF<sub>6</sub> uses, and worked in collaboration with other partners and the EPA to develop and improve gas handling and maintenance programs.<sup>14</sup>

In addition to the above, ITC has been recognized by the Wildlife Habitat Council’s Conservation Certification Program for its efforts to conserve and restore wildlife habitats.<sup>15</sup> The Company has participated in the program since 2008 and as of 2020 has 15 certified sites.

Sustainalytics is of the opinion that ITC has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of resilient infrastructure for renewable electricity transmission in the Midwestern U.S.

In April 2021, the U.S. Government set a series of targets, including a 2030 target to reduce GHG pollution by 50-52% compared to 2005 levels in economy-wide net GHG emissions, and a goal to achieve 100% carbon-free electricity by 2035.<sup>16</sup> In the same month, the White House announced its commitment to the expansion and modernization of the American electricity grid to assist with meeting the 2030 targets and to reliably

<sup>8</sup> *Ibid.*

<sup>9</sup> ITC, “Our Commitment to the Environment”, (2020), at: [https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc\\_environment\\_brochure\\_2020-1019\\_final.pdf?sfvrsn=776dcbf6\\_2](https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc_environment_brochure_2020-1019_final.pdf?sfvrsn=776dcbf6_2)

<sup>10</sup> *Ibid.*

<sup>11</sup> Fortis Inc., Sustainability 2020 Report, at: [https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498\\_4](https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498_4)

<sup>12</sup> ITC, “Our Commitment to the Environment”, (2020), at: [https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc\\_environment\\_brochure\\_2020-1019\\_final.pdf?sfvrsn=776dcbf6\\_2](https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc_environment_brochure_2020-1019_final.pdf?sfvrsn=776dcbf6_2)

<sup>13</sup> Fortis Inc., Sustainability 2020 Report, at: [https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498\\_4](https://www.fortisinc.com/docs/default-source/environment-reports/2020-fortis-sustainability-report.pdf?sfvrsn=e8927498_4)

<sup>14</sup> ITC, “Our Commitment to the Environment”, (2020), at: [https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc\\_environment\\_brochure\\_2020-1019\\_final.pdf?sfvrsn=776dcbf6\\_2](https://www.itc-holdings.com/docs/default-source/itc-fact-sheets/environmental-documents/itc_environment_brochure_2020-1019_final.pdf?sfvrsn=776dcbf6_2)

<sup>15</sup> *Ibid.*

<sup>16</sup> The White House, “Fact Sheet: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Jobs and Securing U.S. Leadership on Clean Energy Technologies”, (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

transmit renewable energy.<sup>17</sup> The 2021 Texas blackouts highlighted that the U.S. electricity grid is aging, lacks interregional interconnectivity and is inadequately equipped to handle the increase in climate related disturbances.<sup>18</sup> The current grid system was largely built decades ago before the rapid rise of renewable energy.<sup>19</sup> The U.S. grid is divided into three major interconnections shared with Canada, and requires greater investments in transmission infrastructure to help transmit low cost electricity produced in rural areas, to urban areas where electricity is consumed the most.<sup>20</sup> Current U.S. policies for energy planning have created backlogs and delays for new electricity production to come online, 90% of which is for wind, solar and storage projects.<sup>21</sup>

The U.S Midwest has the potential for extensive wind power generation; however, it lacks the transmission capacity to bring wind electricity to consumers.<sup>22</sup> Without adequate transmission infrastructure, Midwestern wind and solar producers are forced to assume the costs of interconnection, which can have major financial implications for the viability of renewable projects.<sup>23</sup> The Midcontinent Independent System Operator (MISO), the regional transmission grid operator that covers much of the region, put forward its long-term transmission planning strategy in 2020 to address emerging risks and operational needs. MISO is responding to the rapidly changing electricity market, including increased demand for renewables and adaptation to climate change.<sup>24</sup> The current gridlock experienced by MISO operators means there is limited access to the grid and more than 278 clean energy projects have been put on hold or cancelled, representing more than 70,000 jobs.<sup>25</sup> Many governors in the Midwest have committed to addressing climate change and investing in the clean energy economy. In Michigan, the Governor issued an executive order to achieve carbon neutrality by 2050; Wisconsin set a goal of 100% clean energy by 2050; and Minnesota committed to eliminate carbon use in the electricity sector by 2050.<sup>26</sup> Between 2000 and 2019, Michigan fared the worst in the U.S. for outages related to major weather-related events.<sup>27</sup> One study of Michigan's infrastructure found that most electricity transmission and distribution infrastructure (such as poles, underground wires and circuit breakers) has been in service for more than 50 years and has outlived its design life.<sup>28</sup> In this context, METC's investments in maintenance, expansion and interstate interconnection, as well as in distribution upgrades, including main and service line replacements, have the potential to mitigate risks and improve services to and across the state.<sup>29</sup>

While targets for renewable energy production are needed, without the supporting transmission infrastructure, renewable energy targets will be difficult to achieve.<sup>30</sup> Climate related events such as the one experienced in Texas and the Midwest in 2021 are becoming more frequent.<sup>31</sup> These events highlight the fragility of the system and the need for greater capacity to exchange power during climate related events, greater resiliency, and greater capacity to transmit renewables.<sup>32</sup> While the Biden Administration has set aside USD 100 million for energy infrastructure, this may not be enough given that projects being considered in MISO require more than USD 30 billion to achieve a 26% increase in renewables, indicating a greater need for investment.<sup>33</sup> In this context, Sustainalytics is of the opinion that ITC's investments in transmission infrastructure dedicated to

<sup>17</sup> The White House, "Fact Sheet: Biden Administration Advances Expansion and Modernization of the Electric Grid", (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/27/fact-sheet-biden-administration-advances-expansion-modernization-of-the-electric-grid/>

<sup>18</sup> NYT, "A Glimpse of America's Future: Climate Change Means Trouble for Power Grids", (2021), at: <https://www.nytimes.com/2021/02/16/climate/texas-power-grid-failures.html>

<sup>19</sup> Utility Dive, "Aging grids drive \$51B in annual utility distribution spending", (2018), at: <https://www.utilitydive.com/news/aging-grids-drive-51b-in-annual-utility-distribution-spending/528531/>

<sup>20</sup> Americans for a Clean Energy Grid, "Disconnected: The Need For New Generator Interconnection Policy", (2021), at: <https://cleanenergygrid.org/wp-content/uploads/2021/01/Disconnected-The-Need-for-a-New-Generator-Interconnection-Policy-1.pdf>

<sup>21</sup> *Ibid.*

<sup>22</sup> Green Tech Media, "Midwest Grid Operators Seek to Unlock Clean Energy Transmission on the Seam", (2020), at:

<https://www.greentechmedia.com/articles/read/midwest-grid-operators-seek-to-unlock-clean-energy-transmission-on-the-seam>

<sup>23</sup> *Ibid.*

<sup>24</sup> MISO, "Long Range Transmission Planning – Preparing for the Evolving Future Grid", (2020), at:

<https://cdn.misoenergy.org/20200812%20PAC%20Item%2003c%20Long%20Range%20Transmission%20Planning%20Presentation465531.pdf>

<sup>25</sup> Sustainable FERC Project, "After Texas, A New Spotlight On Long-Transmission In MISO", (2021), at: <https://sustainableferc.org/after-texas-a-new-spotlight-on-long-distance-transmission-in-miso/>

<sup>26</sup> Sustainable FERC Project, "MISO Transmission Plan Misses the Mark", (2021), at: <https://sustainableferc.org/miso-transmission-plan-misses-the-mark/>

<sup>27</sup> Bridge Michigan, "Michigan is no Texas, but it has grid reliability issues of its own", (2021), at: <https://www.bridgemi.com/michigan-environment-watch/michigan-no-texas-it-has-grid-reliability-issues-its-own>

<sup>28</sup> MBSR, "State of Michigan's Infrastructure", (2021), at: [https://erb.umich.edu/wp-content/uploads/2021/05/MBSR\\_State-of-Michigans-Infrastructure.pdf](https://erb.umich.edu/wp-content/uploads/2021/05/MBSR_State-of-Michigans-Infrastructure.pdf)

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

<sup>31</sup> NRDC, "MISO and SPP Can Benefit from a More Connected Grid", (2021), at: <https://www.nrdc.org/experts/toba-pearlman/benefits-more-connected-grid-miso-and-spp>

<sup>32</sup> *Ibid.*

<sup>33</sup> E&E News, "Transmission road map could help unlock renewables", (2021), at: <https://www.eenews.net/stories/1063730175>

renewable energy connectivity and investments in improved resiliency and reliability during climate related events will have positive environmental impacts and help to achieve Midwestern and U.S. GHG emissions targets.

**Alignment with/contribution to SDGs**

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the ITC Green Bond Framework advances the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy  9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency  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
Clean Transportation	11. Sustainable Cities and Communities	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
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Climate Change Adaptation	11. Sustainable Cities and Communities  13. Climate Action	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries  13. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Environmental Stewardship	15. Life on Land	15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species



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## Conclusion



ITC has developed the ITC Green Bond Framework under which it may issue green bonds and use the proceeds to finance electricity transmission infrastructure, energy efficiency retrofits, green buildings, and other measures to support increases in renewable energy distribution. Sustainalytics considers that the projects funded by the green bond proceeds are expected to have provide positive environmental impact.

The ITC Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the ITC Green Bond Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11,13, and 15. Additionally, Sustainalytics is of the opinion that ITC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that ITC is well-positioned to issue green bonds and that the ITC Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

## Appendices

### Appendix 1: Green Building Certification Schemes

	LEED	ENERGY STAR
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.
Certification levels	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• 1-100 score, 75 is minimum for certification</li> </ul>
Areas of assessment	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy use</li> </ul>
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least that percentage of similar buildings nationwide.
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.
Performance display		

## Appendix 2: ITC Green Bond Framework - External Review Form

### Section 1. Basic Information

Issuer name:	ITC Holdings Corp
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	ITC Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 18, 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds –Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation and Environmental Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments and expenditures in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 15.

**Use of proceeds categories as per GBP:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :  |

If applicable please specify the environmental taxonomy, if other than GBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

ITC Holdings Corp’s internal process in evaluating and selecting projects is the responsibility of a dedicated committee consisting of members of different business units from across ITC, including Treasury, Finance, Accounting and Engineering. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other <i>(please specify)</i> :  |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

ITC Holdings Corp's Treasury department will be responsible for tracking the amount of net proceeds raised from any issuance under the Framework. Pending allocation, ITC will hold net proceeds in cash or cash equivalents or be used to repay outstanding debt. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

ITC Holdings Corp intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to eligible projects or categories, a list of eligible categories and descriptions, and the amount of unallocated net proceeds. ITC will also report on relevant impact metrics including CO<sub>2</sub> emissions avoided, renewable energy sources connected and energy savings per year. Sustainalytics views ITC Holdings Corp's allocation and impact reporting plan as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project       On a project portfolio basis
- Linkage to individual bond(s)       Other (please specify):

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): Renewable energy connected |

**Frequency**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other ( <i>please specify</i> ):               |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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