

SUPERVISORY BOARD REGULATIONS

The Supervisory Board of TenneT, Transmission System Operator B.V. ("the Company") duly adopted the present Regulations on 24 May 2004

1.1 Article 1: Status and Substance

- 1.1 The present Regulations have been prepared on the strength of article 27(3) of the Company's Articles of Association, and serve as a supplement to such rules and instructions as apply from time to time to the Supervisory Board pursuant either to Netherlands law or to the Company's Articles of Association.
- 1.2 In the event that the present Regulations are inconsistent with Netherlands law and/or the Company's Articles of Association, Netherlands law shall prevail followed by the Articles of Association.
- 1.3 In the event of any of the provisions set out in these Regulations no longer applying, this shall not affect the validity of the remaining provisions. The Supervisory Board shall replace the invalid provision(s) by (a) valid provision(s) the effect of which given its (their) substance and purport shall be as similar as possible to that of the invalid provision(s).
- 1.4 The present Regulations contain references to three documents having been posted on the Company's web site, viz.:
 - Document A: the Supervisory Board job profile in terms of size and composition;
 - Document B: the Supervisory Board members' retirement rota;
 - Document C: the Supervisory Board's Audit Committee's regulations.
- 1.5 The Board of Management in a resolution passed on 24 May 2004 acknowledged that it:
 - a. would henceforth comply with the present Regulations, by which it regarded itself to be bound in so far as the said Regulations applied to it and its individual members;
 - b. would ensure that any new members of the Board on accession would make a statement as referred to sub (a) above.
- 1.6 The Company's external auditors on 25 June 2004 acknowledged that they would henceforth comply with the present Regulations, by which they regarded themselves to be bound in so far as the said Regulations applied to them.
- 1.7 The text of the present Regulations has been posted on the Company's web site.

1.2 Article 2: Supervisory Board Responsibilities

- 2.1 The Supervisory Board's responsibilities consists in the supervision of the Company's Board of Management and of the general course of affairs concerning the Company and the latter's enterprise, in which context the Supervisory Board assists the Board of Management with advice. The Supervisory Board in the fulfilment of its duties seeks to foster the best interests of the Company and the related enterprise, in which context it weighs up the vested interests of the respective stakeholders. The Supervisory Board itself is accountable for the quality of its performance.
- 2.2 The Supervisory Board's responsibilities includes, inter alia:

- a. approval of Board of Management-generated (i) annual plans, (ii) operational and financial objectives set for the Company, (iii) strategy aimed at realising the objectives, and (iv) preconditions deployed in the context of the strategy, e.g. where it concerns financial ratios;
 - b. supervision of and provision of advice to the Board of Management concerning (i) the realisation of the Company's objectives, (ii) the strategy and risks associated with the business operations, (iii) the set-up and operation of the internal risk management and control systems, (iv) the financial reporting process, and (v) compliance with relevant legislation and regulations;
 - c. fulfilment of the rights and obligations ensuing from the Company's Articles of Association, including albeit not confined to the approval (or not) of the Board of Management's proposed resolutions as referred to in paragraphs (5) and (8) of article 23 of the Company's Articles of Association;
 - d. the preparation of a set of regulations containing rules governing the possession of, and engagement in transactions involving, securities on the part of Board of Management members and Supervisory Board members;
 - e. the selection and nomination of the Company's external auditors;
 - f. where appropriate, the granting of approval (or not) regarding the acceptance of supervisory directorships by Board of Management members;
 - g. the addressing and adjudication of any potential conflicts of interest having been reported, as referred to in article 10 below.
- 2.3 The Supervisory Board shall prepare a report each year following the Company's financial year end in which it reports on its actions over the past financial year, in which report moreover the Supervisory Board in any event shall render account or make mention, as the case may be, of:
- a. the Company's corporate governance configuration and the compliance with same;
 - b. such Supervisory Board members as have frequently been absent from Board meetings;
 - c. the meetings regarding (i) the performance of the Supervisory Board and of its individual members, (ii) (changes to) the preferred job profile, composition and competence of the Supervisory Board, (iii) the performance of the Board of Management and of its individual members, and (iv) the strategy, risks and internal risk management and control systems;
 - d. compliance (or not) with the provisions as per article 3(4) sub (e) below and, where appropriate, the name of the Supervisory Board member being designated as dependent;
 - e. the Supervisory Board members' personal details as referred to in article 3(6) below;
 - f. the composition of Supervisory Board Committees, the number of Committee meetings and the main topics having been raised for discussion at same.
- The Supervisory Board's report shall form part of the Annual Report.

1.3 Article 3: Composition, Expertise and Independence of the Supervisory Board

- 3.1 The Supervisory Board shall be made up of a number of Supervisory Board members, such number, which shall be no smaller than three, to be determined by the General Meeting of Shareholders.
- 3.2 The Supervisory Board shall prepare a job profile of its size and composition, making allowances for the nature of the business, the Board's duties and the preferred expertise and background of

- the Board's members. The text of the Supervisory Board job profile shall be posted on the Company's web site.
- 3.3 The Supervisory Board's composition shall be such as to enable the combination of experience, expertise and independence of its members to satisfy the job profile while best enabling the Supervisory Board to satisfy its various obligations *vis-à-vis* the Company and those involved with the latter, in accordance with prevailing legislation and regulations.
- 3.4 Due allowances shall be made for the following requirements in the composition of the Supervisory Board:
- a. each Supervisory Board member shall be capable of judging the outlines of the overall policy of the Company and its business;
 - b. each member shall match the job profile, with the composition of the Supervisory Board as such being in compliance with paragraphs (2) and (3) hereinbefore through such member's participation in the Supervisory Board (both on appointment/reappointment and afterwards);
 - c. at least one Supervisory Board member shall have gained relevant accounting knowledge and experience at other major legal entities;
 - d. the majority of members shall be independent as defined in Section 11a(6) of the Netherlands Electricity Act 1998;
 - e. each member with the exception of no more than one person shall be independent as defined in paragraph (5) hereinafter;
 - f. no Supervisory Board member may be appointed after his or her third four-year term or twelfth year in office;
 - g. former executive directors of the Company may not be appointed Supervisory Board Chairman.
- 3.5 A Supervisory Board member shall not be deemed to be independent as defined in article 3(4) sub (4) hereinbefore if he (she) or his (her) spouse, registered partner or other partner in life, foster child or relation by blood or affinity to the second degree:
- a. has been, at any time during the five years prior to being appointed to the Supervisory Board, an employee or executive director of the Company or any company-affiliated company (as defined in Section 1 of the Netherlands Disclosure of Major Holdings in Listed Companies Act 1996);
 - b. is the recipient of a personal financial reimbursement from the Company or any company-affiliated company other than that received for duties performed in the capacity of Supervisory Board member, and in so far as such reimbursement is inconsistent with conventional business operations;
 - c. has entertained, during the year prior to that of appointment to the Supervisory Board, a significant business association with the Company or any Company-affiliated company, including in any event any scenario in which the Supervisory Board member or any firm in which he (she) is a shareholder, partner or associate or to which he (she) is a consultant has officiated as the Company's adviser (consultant, external auditor, civil-law notary or legal counsel) and any scenario in which the Supervisory Board member is a director or associate of any banking institution with which the Company entertains a lasting, significant association; or
 - d. has a seat on the Board of any company in which any board member of the company which he (she) supervises has a seat on the Supervisory Board (cross-links).

- 3.6 Each Supervisory Board member shall furnish that Board's Chairman with (any changes to) the following information:
- a. sex;
 - b. age;
 - c. profession;
 - d. nationality;
 - e. principal duties;
 - f. date of initial appointment;
 - g. current term of office;
 - h. any other relevant information, including in connection with major additional posts.

1.4 Article 4: Company Presidency

The Supervisory Board shall appoint one of its members as its Chair as well as appointing a Deputy Chair. The Chairman of the Supervisory Board shall oversee:

- a. the prompt and adequate information supply to the members of the Supervisory Board as appropriate in order that they should properly acquit themselves of their duties;
- b. ensuring that more than enough time should be available for seeking advice, consultation and decision-making by the Supervisory Board;
- c. directing the Supervisory Board Committees and overseeing their proper performance;
- d. the adequate passing off of contacts with the Board of Management and Works Council and the prompt and adequate information of the other Supervisory Board members concerning the outcome of same;
- e. the attendance by the Supervisory Board members of their induction and instruction or training programmes;
- f. provision for the annual evaluation and assessment of the Board of Management and Supervisory Board members' performance;
- g. the receipt and adjudication of notification of conflicts of interest involving the Company and the Board of Management (as provided for in article 10 below);
- h. the receipt and adjudication of employees' notifications of allegations of the Board of Management irregularities of a general, operational and/or financial nature;
- i. compliance with the regulations pertaining to the holding of and transactions involving securities by members of the Board of Management and the Supervisory Board.

1.5 Article 5: Supervisory Board Committees

- 5.1 The Supervisory Board may establish Committees from its membership. Responsibility for decisions shall continue to rest with the Supervisory Board as such even in the event of such decisions having been prepared by one of the Supervisory Board Committees. The Supervisory Board has instituted an Audit Committee.
- 5.2 The Supervisory Board shall prepare a set of regulations for each Committee. The Audit Committee Regulations have been posted on the Company's web site.

- 5.3 The composition of the Supervisory Board Committees, and the number of Committee meetings and the main topics to be discussed at same, shall be disclosed in the Supervisory Board's Annual Report.

Article 6: Appointment and Reappointment • Term of Office • Retirement • Performance

- 6.1 The Supervisory Board members shall be appointed in such manner as provided for in the Company's Articles of Association, on the basis of a duly substantiated recommendation or nomination for appointment or reappointment. Allowances shall be made in a reappointment scenario for the manner in which the candidate has acquitted himself (herself) of his (her) duties as a member of the Supervisory Board. Supervisory Board members shall take up their office for a term of up to four years following which they shall be eligible for reappointment, with the proviso that the aggregate term of office of any Supervisory Board member shall not exceed three four-year terms of office.
- 6.2 The Supervisory Board shall prepare a retirement rota with the aim of preventing concurrent reappointments where possible, which rota shall be posted on the corporate web site. Without prejudice to the provisions as per the next paragraph, Supervisory Board members shall step down in accordance with the retirement rota.
- 6.3 Supervisory Board members shall prematurely step down in the event of inadequate performance or structural conflict of interest, or where the Supervisory Board deems it to be appropriate that they should step down.
- 6.4 Supervisory Board members who provide for temporary administration due to Board of Management members being absent or incapacitated shall temporarily retire from the Supervisory Board so as to take up their administrative duties. The Supervisory Board and the General Meeting of Shareholders shall jointly decide when the absence or incapacity ends to what extent the Supervisory Board member in question is to reclaim his (her) seat on the Supervisory Board or whether it would be more appropriate for him (her) altogether to step down from the Supervisory Board, due allowances being made for the duration and nature of the temporary administrative remit in this context.
- 6.5 The Supervisory Board shall evaluate its own performance and the performances of its individual members and the conclusions to be drawn from this at least once yearly, without the Board of Management being in attendance, with attention being in any event devoted to:
- (i) the manner in which the Supervisory Board as a body corporate and that Board's individual members satisfy the job profile;
 - (ii) the Supervisory Board's composition and its competence;
 - (iii) compliance with the corporate governance structure;
 - (iv) the presence at or frequency of absence from Supervisory Board meetings and the reasons for not being in attendance;
 - (v) the number of Supervisory Board seats, the amount of time required to be devoted to these duties and the impact of same in terms of performance;
 - (vi) general involvement in the Company.
- A report shall be prepared of that which is discussed, for entry in the Supervisory Board's Minutes Register.

1.6 Article 7: Remuneration

- 7.1 The Supervisory Board members shall receive compensation for performing their duties. Their remuneration shall not be dependent on the Company's results. The Company shall settle any value-added tax the Supervisory Board members may be required to charge in respect of their remuneration,
- 7.2 The General Meeting of Shareholders shall fix the remuneration to be paid to the Supervisory Board members, which remuneration shall be laid down in an agreement between the Company and the relevant Supervisory Board member. The Notes to the Financial Statements shall contain information concerning the individual Supervisory Board members' remuneration.
- 7.3 The Supervisory Board members shall additionally receive a fixed expense allowance and mileage allowance.
- 7.4 The Company shall take out liability insurance for the benefit of the Supervisory Board members.

1.7 Article 8: Induction Programme and Ongoing Training and Instruction

Each Supervisory Board member shall on appointment enrol in a Company-prepared induction programme in which attention is devoted to:

- a. issues of a generally financial and legal nature;
- b. the Company's financial reporting;
- c. particular aspects that are characteristic of the Company and its business operations;
- d. the responsibilities of the Supervisory Board.

The costs associated with the induction programme shall be for the Company's account.

1.8 Article 9: Supervisory Board Meetings

- 9.1 The Supervisory Board shall assemble in a meeting on at least four occasions a year and, additionally, with such frequency as one or more of its members may deem to be caked for. Supervisory Board meetings shall customarily be staged at the Company's offices, but may also take place elsewhere, and shall be held in accordance with the relevant provisions as per the Company's Articles of Association.
- 9.2 Supervisory Board meetings shall be attended by one or more Board of Management members, except where the Supervisory Board decides otherwise or these Regulations stipulate differently.
- 9.3 Meetings shall be convened by or on behalf of the Supervisory Board member having requested the meeting and/or by or on behalf of the Board of Management. The convocation to the meeting and the agenda of topics to be discussed at same shall be handed out, where feasible, to the Supervisory Board and Board of Management members seven days ahead of the start of the meeting.
- 9.4 Minutes shall be prepared of (that which is discussed at) the meeting, generally to be adopted at the next meeting, for signature by the Supervisory Board Chair in evidence of their having been adopted.
- 9.5 The Supervisory Board shall at least once every year address the following topics:
 - a. the annual plan pertaining to the coming financial year and the Company's financial statements for the past financial year;

- b. the strategy and risks associated with the business and the outcome of the Board of Management's assessment of the set-up and performance of the internal risk management and control systems and of any significant changes to same;
- c. the Supervisory Board's prescribed profile, composition and competence;
- d. the Board of Management's performance and that of its individual members, and the conclusions to be drawn from same;
- e. the areas in which Supervisory Board members throughout their term of office require additional training and instruction.

1.9 Article 10: Conflicts of Interest

- 10.1 Supervisory Board members shall not participate in the discussion and decision-making concerning topics or transactions in the context of which they have a conflict of interest with the Company as defined in the next paragraph. Such transactions may only be entered into subject to at least such conditions as are customary for the industry, and shall require Supervisory Board approval. As far as loans are involved in this context, these shall not qualify for remission.
- 10.2 There shall in any event be a question of conflict of interest of material significance for the Company and/or the relevant Supervisory Board member where:
 - a. the Company intends to furnish the Supervisory Board member with a personal loan, guarantees and the like;
 - b. the Company intends to enter into a transaction involving a legal entity in which the Supervisory Board member has a personal interest and a material financial stake;
 - c. the Company intends to enter into a transaction involving a legal entity a Board of Management or Supervisory Board member of which entertains a family law relationship involving the Supervisory Board member;
 - d. the Company intends to enter into a transaction involving a legal entity at which the Supervisory Board member holds an executive or supervisory position;
 - e. applicable law implies that there is, or is deemed to be, a conflict of interest.
- 10.3 Supervisory Board members shall each forthwith notify the Supervisory Board Chair or, in the event that it is he (she) whom it concerns, the Deputy Chair of any potential conflict of interests involving any Supervisory Board member. Supervisory Board members having a (potential) conflict of interest shall each provide the Supervisory Board Chair or Deputy Chair with all relevant information.
- 10.4 Paragraphs (1), (2), (3) and (6) of this article 10 shall apply *mutatis mutandis* to the Board of Management members.
- 10.5 There shall in any event be a question of conflict of interest *vis-à-vis* the Company's external auditors where:
 - a. the non-audit related work performed for the Company raises the question as to the external auditors' independence where it concerns the (auditing of the) financial reporting;
 - b. applicable law implies that there is, or is deemed to be, a conflict of interest.
- 10.6 The Supervisory Board shall decide whether there is a question of conflict of interest as defined in the present article 10.

1.9.1 Article 11: Information

- 11.1 The Supervisory Board and that Board's individual members shall have a responsibility of their own to request from the Board of Management and the external auditors that the latter should furnish all such information as the Supervisory Board needs so as to be able properly to acquit itself of its supervisory duties. The Supervisory Board may seek information from the Company's officers and external advisers where it deems such to be appropriate, the associated costs to be reimbursed by the Company. The Supervisory Board may insist that Company-employed officers and Company-engaged external advisers should attend its meetings.
- 11.2 Where any Supervisory Board member obtains information (from sources other than the Board of Management or the Supervisory Board) being of use to the Supervisory Board in the proper performance of its duties, that member shall make the relevant information available, at his (her) earliest opportunity, to the Supervisory Board Chair, who shall subsequently bring the entire Supervisory Board up to date.

1.9.2 Article 12: Relationship with Shareholders

- 12.1 General Meetings of Shareholders shall be held, in accordance with the Company's Articles of Association, upon the request of the Supervisory Board, the Board of Management or (a) shareholder(s) representing at least 10 percent of the aggregate number of the voting rights. The Supervisory Board that convenes the Meeting shall ensure that such Meeting is held in good time.
- 12.2 The Supervisory Board members may attend the General Meetings, with the Supervisory Board Chair usually presiding over the General Meeting and deciding on the substance of the resolutions passed, in accordance with the Company's Articles of Association.
- 12.3 The Supervisory Board shall provide the General Meeting of Shareholders with all information the latter may request except where substantial interests on the part of the Company or any statutory instruction or legal rule dictate(s) otherwise. An explicit explanation shall be provided in the event of the Supervisory Board invoking any such substantial interest.

1.9.3 Article 13: Relationship with Works Council

- 13.1 The Supervisory Board shall annually prepare a schedule for having the Works Council's consultative meetings attended by one or more of its members in so far as the law or any arrangement with the Works Council prescribes that such consultative meetings should be attended by such members, attendance of such consultative meetings being compulsory pursuant to Section 24(1) of the Netherlands Works Council Act. Consultations shall be held at such meetings on the Company's general course of affairs and on such proposals as defined in Sections 25 and 27 of the Works Council Act. The Supervisory Board may moreover convene other meetings involving the Works Council.
- 13.2 A list of available Supervisory Board members shall annually be prepared for attendance of Works Council meetings at which such members' participation is not statutorily prescribed.

- 13.3 Where a Supervisory Board member is invited to attend a meeting involving the Works Council, such member shall only accept such invitation following prior consultation with the Supervisory Board Chair.

1.10 Article 14: Confidentiality

Supervisory Board members shall each be under the obligation *vis-à-vis* any information and documentation they have obtained in the context of their Supervisory Board membership to observe the necessary discretion and confidentiality, the latter where the information in question is of a classified nature. Supervisory Board members shall refrain from disclosing confidential information outside Supervisory Board or Board of Management circles or releasing same into the public realm or otherwise making same available to third parties, except where the Company had already publicised the said information or it has been established that such information was already common knowledge.

Article 15: Occasional Discontinuation • Amendment

- 15.1 Without prejudice to the provision as per article 1(2) above, the Supervisory Board may pass an occasional resolution not to apply the present Regulations. A reference to any such resolution should be included in the Supervisory Board's Annual Report.
- 15.2 The Supervisory Board may pass resolutions in amendment of the present Regulations, a reference to any such resolution to be included in the Supervisory Board's Annual Report.

Article 16: Governing Law and Jurisdiction

- 16.1 The present Regulations shall be governed by Netherlands law, and shall be construed on application of same.
- 16.2 The Arnhem District Court shall have exclusive competence to take cognisance of any disputes relating to the present Regulations, any disputes concerning the existence, validity and termination of the present Regulations included.