

ELECTRICITY NORTH WEST LIMITED GREEN FINANCING FRAMEWORK 2022

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

Electricity North West Limited (henceforth referred to as “ENW” or the “Company”) is one of fourteen electricity Distribution Network Operators (DNO) in the UK regulated by the Office of Gas and Electricity Markets (henceforth referred to as “Ofgem”). ENW builds, operates, and maintains a network that includes 13,000 km of overhead power lines, more than 44,000 km of underground electricity cables, and nearly 500 major sub-stations. The Company provides electricity to around 2.4 million homes across the North-West of England. To maintain its reputation as a reliable electricity provider, ENW seeks to ensure the network remains resilient (e.g., reducing power cuts and addressing network problems) and that it supports vulnerable customers (those customers whose personal circumstances and characteristics mean that they are significantly less able to represent their interest and/ or are significantly more likely to suffer detriment or that detriment is likely to be more substantial).

Given the forecasted increase in network demand by 2050 and [Ofgem's 'RIIO-ED2' programme](#) that requires energy providers to operate in a financially sustainable way, the environment is core to ENW's sustainability commitments. As a result, ENW is committed to the decarbonisation of the sector. To deliver on this, the Company has developed an 'Environmental Action Plan' (EAP) which includes specific environmental goals and objectives around: waste and recycling, water consumption, biodiversity, water consumption, Polychlorinated Biphenyls (PCBs), green buildings, clean transportation, sulphur hexafluoride leakage and electrical distribution losses.

In the near term, ENW has committed to a Science Based Target (SBT) and an evaluation of Embodied Carbon. It is aligned to a 1.5°C scenario under the Science Based Target Initiative (SBTi) and has committed to a 63% reduction in Scope 1, 2 and 3 carbon emissions based on an absolute contraction approach by 2035, against a 2020 baseline. It has also joined the 'Race to Zero' campaign¹ and has set a Net Zero target for the Company by 2038.

As part of its plan to decarbonise the network, and ensure resilience to mitigate future potential climate impacts, ENW has developed a Green Financing Framework under which it can issue green debt instruments. Through the issuance of the green debt instruments, the Company intends on delivering tangible environmental benefits on an individual and/ or combined basis.

DNV Business Assurance Services UK Limited (“DNV”) has been commissioned by ENW to provide a review of the Framework against the International Capital Market Association (“ICMA”) Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) and the Loan Market Association (“LMA”) Green Loan Principles (GLP) 2021. Our methodology to achieve this is described under 'Work Undertaken' below. We were not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of bonds and/ or loans issued under the company's Framework, the value of any investments, or the long-term environmental benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of ENW and DNV

The management of ENW has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion that is intended to inform ENW's management and the other interested stakeholders, as to whether the Framework is aligned with the principles for such finance as issued by the ICMA and the LMA. To assess the sustainability eligibility, our assessment is supplemented with international guidelines and standards, as well as DNV's own technical expertise. In our work we have relied on the information and the facts presented to us by ENW. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and

¹ The Race to Zero Campaign - a UN-backed coalition consisting of more than 3,000 companies situated all over the world, with a sole purpose to focus on addressing the climate emergency.

cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by ENW's management, and used as a basis for this assessment, were not correct or complete.

Basis of DNV's opinion

We have adapted our eligibility assessment protocol which incorporates the requirements of the GBP and the GLP to create a **Green Finance Framework Eligibility Assessment Protocol** (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria is guided by the requirement that an issuer of finance must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of finance should outline the process it follows when determining the eligibility of an investment using the green finance proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria is guided by the requirements that finance should be tracked within the issuing organisation, that separate portfolios should be created when necessary, and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the finance providers/ investors should be made of the use of proceeds, and that quantitative and/ or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work has constituted a high-level review of the available information provided to us by ENW, based on the understanding that this information was provided to us in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work was undertaken to form our opinion included:

- Creation of an ENW-specific Protocol adapted to the purpose of the Framework, as described above.
- Assessment of documentary evidence provided by ENW on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Review of ENW published material with regards to its environmental activities relating to the company.
- Discussions with ENW management, a review of the relevant documentation, and evidence related to the criteria of the Protocol.
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's opinion

DNV's summary findings are listed below with further detail provided in [Schedule 2](#).

1. Principle One: Use of Proceeds.

ENW has confirmed that an amount equivalent to the net proceeds of the Green Debt Instruments (green bonds and/ or loans) will be used to finance and/ or refinance, in part or in full, a portfolio of qualifying “**Eligible Green Projects**”. These projects are set out to deliver positive environmental benefits to the communities in which ENW serves. Assets, capital expenditures and operating expenditures that fall within the relevant green categories, as outlined below, are defined as qualifying projects that together form part of ENW's “**Eligible Green Portfolio**”.

Eligible Green Categories include:

- Renewable energy;
- Energy efficiency;
- Pollution prevention and control;
- Green buildings;
- Climate change adaptation;
- Environmentally sustainable management of living natural resources and land use; and
- Clean transportation.

In the Framework, ENW has provided a list of example projects and the performance criteria of each eligible category (see [Schedule 1](#) for illustrative performance indicators), and details of the environmental benefits. ENW has also listed activities and sectors that will be excluded from the eligible green projects (see [Schedule 2](#)).

For each of the eligible categories, we can confirm that ENW has mapped these against the stated UN SDGs and the relevant EU Environmental Objectives under the EU taxonomy and associated EU economic activities, as detailed in Schedule 1 of this opinion.

ENW has confirmed it will allocate the net proceeds to eligible green projects originated, approved, financed, or completed no earlier than three years prior to the start of the financial year in which the Green Debt Instrument is issued. Where refinancing occurs, ENW may allocate the proceeds for refinancing existing projects to the level of expenditure spent at the time of settlement, and/ or new projects to cover ongoing expenditures (which includes both green capital expenditure and green operating expenditure).

DNV has reviewed the evidence provided and can conclude that for each of the eligible green projects (and example projects provided) as described in the Framework, they are consistent with those listed in the GBP and the GLP and will provide clear environmental benefits. DNV also confirms that the financing proposed aligns with ENW's wider ESG targets and sustainability commitments, specifically decarbonisation and the maintenance of a climate-resilient power network.

2. Principle Two: Process for Project Evaluation and Selection.

DNV can confirm that ENW has a clear management and governance structure in place for evaluating and selecting potential and eligible green projects (investments and capital/ operational expenditures). ENW has confirmed that the projects must fall under one of the eligible green categories as proposed in the use of proceeds table and meet the respective criteria, as detailed in [Schedule 1](#) of this opinion. Projects that best support progress on the UN SDGs and are adequately aligned with the EU Taxonomy Environmental Objectives, will be prioritised. DNV also notes the Framework is in line with ENW's wider approach to managing sustainability, and there is a clear process in place to assess potential risk associated with allocations to existing/ future projects.

DNV confirms there is a robust decision-making process in place behind the approval of any eligible green category and the projects, as described in the Framework. The overall responsibility for reviewing and assessing projects against the Framework's criteria will be undertaken by ENW's Sustainable Financing Committee² who reports into ENW's Board of Directors. The Sustainable Financing Committee will meet annually and when necessary, on a semi-annual basis. ENW's Board has delegated the overall approval of the projects to the Sustainable Financing Committee.

DNV can also confirm that the Sustainable Financing Committee will be responsible for updating the Framework to ensure that it remains compliant with the most up to date market practices and the applicable national, European,

² The Sustainable Financing Committee comprises of the Chief Executive Officer, Chief Financial Officer, Head of Corporate Finance and Investor Relations, Engineering Director, and the Head of Financial Control. Other representatives of the Company may attend as required, as subject matter experts.

and international environmental standards; reflects changes in ENW’s corporate strategy, technology, and market developments; and that it is aligned with ENW’s internal guidelines, policies, and risk management procedures.

DNV concludes that ENW has appropriately described in detail the process for project evaluation and selection, i.e., how future issuances will be appropriately evaluated, selected, managed, and reported on within the Framework. We can also confirm that this is consistent with the requirements as listed under the GBP and the GLP.

3. Principle Three: Management of Proceeds.

DNV can confirm that the management of the proceeds from the issuance of future green debt instruments will be used to finance or refinance eligible green projects that constitute ENW’s Portfolio (i.e., new and/ or existing work programmes and projects). We can confirm that this is governed by the Sustainable Financing Committee.

ENW has reported that proceeds may be allocated to refinancing existing projects to the level of expenditure spent at the time of settlement, and/ or allocated to new projects to cover ongoing expenditure. Where refinancing is expected, ENW has set a look-back period of three years prior to the start of the financial year in which the Green Debt Instrument is issued.

In cases where the proceeds cannot be allocated to an eligible project, ENW has reported that it will be used for either debt repayment and/ or temporary investments (including deposits with money market funds). The balance of allocated proceeds (or proceeds held pending allocation) will be monitored and tracked on an “internal register” that is managed by the Sustainability Financing Committee.

We can confirm that ENW’s Sustainable Financing Committee is responsible for overseeing the production and maintenance of the internal register which will be reviewed on an annual basis. This Committee is responsible for ensuring any unallocated proceeds are appropriately tracked and reported, and allocations made in accordance with the Framework.

DNV has reviewed the evidence provided and concludes that ENW is committed to appropriately managing the proceeds arising from future issuances and that this is in line with the requirements of the GBP and the GLP.

4. Principle Four: Reporting:

DNV can confirm that ENW has committed to annual reporting on both the allocation of the proceeds (Allocation Reporting) raised from the green debt instruments at the portfolio level, and on the environmental impacts from the Eligible Projects funded by the proceeds (Impact Reporting), until full allocation of the net proceeds of any Green Debt Instrument issued under the Framework. Both the Allocation and Impact Reports will be made available on the Company’s website.

In terms of **Allocation Reporting**, ENW will outline:

- The total amount of proceeds allocated to Eligible Projects;
- The share of proceeds allocated per Eligible Category;
- The split between financing and refinancing;
- The year of investment/ disbursement;
- Details of where the balance of unallocated funds are designated; and
- Relevant case studies and information concerning the specific projects financed.

ENW has also committed to reporting on the environmental impacts of the eligible projects funded through the proceeds, on an annual basis as part of its reporting. Potential **impact indicators** that may be reported on include, for instance:

Eligible Green Categories	Example impact indicators
Renewable energy	<ul style="list-style-type: none"> • Additional capacity of renewable energy connected (MW). • Number of EV charging points connected. • Number of Heat Pumps installed at properties connected to ENW’s network.
Energy efficiency	<ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e).

	<ul style="list-style-type: none"> • Electrical losses prevented (MWh). • Number of customers covered by Smart Street technology.
Pollution prevention and control	<ul style="list-style-type: none"> • Reduction in oil leakage (litres). • Length of oil/gas filled cable replaced. • Number of PCB transformers replaced.
Green buildings	<ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e). • Number of EV charging points connected. • Number of buildings and/ or total sq. meters renovated and achieving BREEAM certification of "Very Good".
Climate change adaptation	<ul style="list-style-type: none"> • Number of sites flood protected. • Number of substations remediated with flood protection to 1 in 100-year events.
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Length of cable under-grounded. • Number of trees planted.
Clean transportation	<ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e). • Number of EV charging points connected. • Number of diesel/petrol vehicles replaced with electric vehicles.

In addition, ENW has stated that it intends to align the impact reporting with the portfolio approach described in ICMA's "Harmonised Framework for Impact Reporting" Handbook, on a best effort basis. We can also confirm ENW has outlined a commitment to have the allocation reporting independently verified by a third party under limited assurance.

DNV concludes that ENW has made the appropriate plans to produce reporting on the allocation of the proceeds, and on the environmental impacts of future investments made under the Green Financing Framework, which will be made available on its website. We confirm that this is in line with the requirements set out by the GBP and the GLP.

On the basis of the information provided by ENW, and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol, and that this is aligned with the stated definition of "Green Bonds" within the Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1), and "Green Loans" within the Green Loan Principles (GLP) 2021.

for DNV Business Assurance Services UK Limited

London, 22 September 2022

A handwritten signature in black ink, appearing to read "Niki Bowen".

Niki Bowen (PhD)

Senior ESG Consultant and Project Manager

DNV – Business Assurance

A handwritten signature in black ink, appearing to read "Shaun Walden".

Shaun Walden

Head of Sustainable Finance and Reviewer

DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property, and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter, and greener.

SCHEDULE 1: DESCRIPTION OF CATEGORIES TO BE FINANCED THROUGH THE FRAMEWORK

Eligible Green Project Category	Description of activities	UN SDG mapping	EU Taxonomy mapping	Indicative impact metrics
<p>Renewable Energy</p>	<p>Projects that connect and/ or integrate low-carbon electricity generation sources to the grid.</p> <p>Example project expenditure:</p> <p>Network reinforcement to increase the capacity of the network’s renewable energy generation and accommodate additional loads from new low carbon technologies (e.g., EV charging points connected to the network).</p>	<p>Affordable & Clean Energy - Target 7.2: By 2030, substantially increase the share of renewable energy in the global energy mix.</p> <p>Climate Action - Target 13.2: Integrate climate change measures into policies, strategies and planning.</p>	<p>EU environmental objective - Climate change mitigation.</p> <p>Selected economic activity - Transmission and distribution of electricity.</p> <p>Substantial contribution to climate change mitigation (1.a): Generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid.</p>	<ul style="list-style-type: none"> • Additional capacity of renewable energy connected (MW). • Number of EV charging points connected. • Number of Heat Pumps installed in properties connected to ENW’s network.
<p>Energy Efficiency</p>	<p>Projects in line with the replacement and/ or improvements of assets to improve energy efficiency, reduce energy losses, and/ or enhance resilience of the grid, including Smart grid technologies.</p> <p>Example projects include:</p> <p>The roll out of monitoring devices on the LV underground network, supporting the more efficient planning of network investment to meet future requirements.</p> <p>Smart Street: ENW’s programme to install active voltage control management on the LV</p>	<p>Affordable & Clean Energy - Target 7.3: By 2030, double the global rate of improvement in energy efficiency.</p> <p>Industry, Innovation & Infrastructure - Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean</p>	<p>EU environmental objective - Climate change mitigation.</p> <p>Selected economic activity - Transmission and distribution of electricity.</p> <p>Substantial contribution to climate change mitigation (1.b): Improving energy efficiency except for power generation activities that are referred to in Article 19(3) of Regulation (EU) 2020/852.</p>	<ul style="list-style-type: none"> • Estimated CO2 emissions avoided (tCO2e). • Electrical losses prevented (MWh). • Number of customers covered by Smart Street technology.

	network to run the network more efficiently and result in lower end user electricity consumption.	and environmentally sound technologies.		
Pollution Prevention and Control	<p>Projects that protect the environment, and/ or reduce waste and greenhouse gas emissions.</p> <p>Example projects include:</p> <p>Asset replacement: Testing and replacing transformers with excess Polychlorinated Biphenyls (PCBs).</p> <p>Cable replacement: Replacement of oil/gas insulated 33kV and 132kV cables.</p>	<p>Responsible Consumption & Production - Target 12.4: By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil.</p>	<p>EU environmental objective - Pollution prevention and control.</p> <p>Selected economic activity: Transmission and distribution of electricity.</p>	<ul style="list-style-type: none"> Reduction in oil leakage (litres). Length of oil/gas filled cable replaced. Number of PCB transformers replaced.
Green Buildings	<p>Projects dealing with the renovations of existing buildings that achieve energy savings of at least 30% in comparison to the baseline performance before the building renovation; or achieve a green certification such as BREEAM of at least “Very Good”.</p> <p>For the construction of any new green buildings (as applicable), a BREEAM certification of “Excellent” would be required.</p> <p>An example project includes:</p> <p>Renovation: Transform depots to be Net Zero in terms of Business Carbon Footprint.</p>	<p>Sustainable Cities & Communities - Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p>	<p>EU environmental objective - Climate change mitigation.</p> <p>Selected economic activity: Construction of new buildings and renovation of existing buildings.</p> <p>Substantial contribution to climate change mitigation (1.b): Improving energy efficiency except for power generation activities that are referred to in Article 19(3) of Regulation (EU) 2020/852.</p>	<ul style="list-style-type: none"> Estimated CO₂ emissions avoided (tCO₂e). Number of EV charging points connected. Number of buildings and/ or total sq. meters renovated and achieving BREEAM certification of “Very Good”.
Climate Change Adaptation	<p>Projects aimed at protecting the distribution networks from the impacts of climate change.</p> <p>Example projects include:</p> <p>Asset improvement: Improvement of flood defences at major substations, mitigating the risk of flooding from coasts, rivers, and flash flooding.</p>	<p>Climate Action - Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>	<p>EU environmental objective - Climate change adaptation.</p> <p>Selected economic activity - Transmission and distribution of electricity.</p> <p>Substantial contribution to climate change adaptation (1.a): Adaptive solutions that substantively reduce the (risk</p>	<ul style="list-style-type: none"> Number of sites flood protected. Number of substations remediated with flood protection to 1 in 100-year events.

			of) adverse impact of the current and expected future climate on that economic activity itself, without increasing the risk of an adverse impact on other people, nature and assets.	
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Projects which protect the environment and/ or restores biodiversity and ecosystems.</p> <p>Example projects include:</p> <p>Undergrounding: Specific works undertaken to replace overhead lines with underground cables within Designated Areas (National Parks and Areas of Outstanding Natural Beauty).</p> <p>Planting: Improve biodiversity at substation sites through planting schemes.</p>	Life on Land – Target 15a: Mobilise and significantly increase from all sources financial resources to conserve and sustainably use biodiversity and ecosystems.	<p>EU environmental objective - Protection and restoration of biodiversity and ecosystems.</p> <p>Selected economic activity - Transmission and distribution of electricity.</p>	<ul style="list-style-type: none"> • Length of cable undergrounded. • Number of trees planted.
Clean Transportation	<p>Projects that would reduce greenhouse gas emissions from transport.</p> <p>Example projects include:</p> <p>Hybrid/ Electric Vehicles: Replacing petrol and/ or diesel cars in the transport fleet with new electric hybrid or fully electric vehicles (any hybrid vehicles only included until 2025, and only if meeting EU Taxonomy requirements of emissions lower than 50gCO₂/km).</p>	Sustainable Cities & Communities - Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all improving road safety, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.	<p>EU environmental objective - Climate change mitigation.</p> <p>Selected economic activity - Transmission and distribution of electricity.</p> <p>Substantial contribution to climate change mitigation (1.c): Increasing clean or climate-neutral mobility</p>	<ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e). • Number of EV charging points connected. • Number of diesel/ petrol vehicles replaced with electric vehicles.

SCHEDULE 2: ENW GREEN FINANCING FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The Green Bond must fall in one of the following categories, as defined by the Green Bond Principles & Guidelines:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond • Use of Proceeds Revenue Bond • Project Bond • Securitised Bond <p>Green Loans are defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/ or existing Eligible Green Projects.</p>	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • ENW’s Green Financing Framework – September 2022. 	<p>DNV can confirm the Framework outlines the type of finance expected to be issued as green debt instruments, including:</p> <ul style="list-style-type: none"> • Green Bonds. • Green Loans. <p>ENW has confirmed that proceeds may be allocated to refinancing existing projects to the level of capital and/ or operating expenditure spent at the time of settlement, and/ or allocated to new projects to cover ongoing capital and/ or operating expenditure. In cases where refinancing is expected, ENW has set a look-back period not exceeding three years prior to the start of the financial year in which the Green Debt Instrument is issued.</p> <p>DNV can confirm that the specific type of instrument issued will need to be further assessed on an individual basis. We can also confirm that the instruments to be issued under this Framework will support the advancement of the UN SDGs, as indicated in Schedule 1.</p>
1b	Green Project Categories	<p>The cornerstone of a Green Bond/ Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.</p>	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • Business Ambition Pledge. • ED2 Business Plan 2023-2028. • Environmental Action Plan (EAP). • Environment Report 2021. • ENW’s Green Financing Framework – September 2022. • ENWL project spend analysis with mapping - September 2022. • Net Zero Plan 2023 – 2028. 	<p>We can confirm that the Framework appropriately describes the utilisation of proceeds and the eligible green project categories to be financed, in part or whole, that define ENW’s portfolio of qualifying projects (the “Green Financing”), as:</p> <p><i>Eligible Green Categories:</i></p> <ul style="list-style-type: none"> • Renewable energy; • Energy efficiency; • Pollution prevention and control; • Green buildings; • Climate change adaptation;

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • Environmentally sustainable management of living natural resources and land use; and • Clean transportation. <p>The Framework also outlines indicative projects that may be funded under the Framework (see Schedule 1).</p> <p>ENW has also outlined the exclusionary criteria in the Framework, as follows:</p> <ul style="list-style-type: none"> • Exploration, production, and transport of fossil fuels; • Mining; • Deforestation and forest degradation; • Armaments and defence; • Tobacco; • Gambling; and • Activities violating the rights of indigenous populations or activities in protected areas. <p>The specific utilisation of the proceeds for each issuance and the relevant legal documentation will need to be further assessed on an individual basis to ensure alignment with the Framework.</p>
1c	Green benefits	All designated Green Project categories should provide clear environmental benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • Business Ambition Pledge. • ED2 Business Plan 2023-2028. • Environmental Action Plan (EAP). • Environment Report 2021. • ENW’s Green Financing Framework – September 2022. • ENWL project spend analysis with mapping - September 2022. • Net Zero Plan 2023 – 2028. 	<p>ENW has provided a description of the types of eligible green projects that it intends to (re-)finance under the Framework. ENW has prioritised the projects that it feels will support its progress towards delivering on the UN SDGs and the EU Taxonomy Environmental Objectives. To make the benefits quantifiable, ENW has also provided a detailed list of potential KPIs.</p> <p>DNV can confirm ENW has clearly outlined how it intends to support the performance and assessment of eligible projects, by following the vision and focus points as detailed in the Framework which align with objectives outlined in its Net Zero Plan, Environmental Action Plan, and ED2 Business Plan.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>The Framework also recognises the need for updates in line with market developments and technology which is evolving.</p> <p>The evidence reviewed gives us the opinion that future issuances to be issued under the Framework will deliver clear environmental benefits. The specific quantifiable and qualitative benefits (where relevant) of each issuance will need to be agreed upon on a case-by-case basis and will be subject to further assessment.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green Bond/ Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/ Loan proceeds.	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • ED2 Business Plan 2023-2028. • ENW's Green Financing Framework – September 2022. • ENWL Treasury Policy Nov 2021. 	<p>DNV can confirm ENW has a clear management structure in place to evaluate and select the Eligible Projects that it will finance. The newly formed Sustainable Financing Committee's membership consists of the following individuals:</p> <ul style="list-style-type: none"> • Chief Executive Officer. • Chief Financial Officer. • Head of Corporate Finance and Investor Relations. • Engineering Director (who has responsibility for Sustainability). • Head of Financial Control. <p>Other representatives of the Company may attend as required as subject matter experts.</p> <p>This Committee reports directly to the Board of Directors. The Committee will meet on an annual basis, and if required on a semi-annual basis, to review and assess projects against the Framework's criteria, including to assess environmental risks.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>The responsibilities of the Committee as delegated by the Board include:</p> <ul style="list-style-type: none"> • The oversight and review of the Green Financing Framework, and the updating to reflect any changes in corporate strategy, technology, and market developments. • The review of the project list and assessment of project eligibility & material risk for Green Bonds and Green Loans Use of Proceeds in accordance with the pre-determined eligibility criteria. • Monitoring the Green Bond and Green Loan proceeds and ensuring they are utilised in accordance with the Framework. • Reviewing the allocation of proceeds to the Eligible Green Projects and determining if any changes are necessary. • Exclusion of projects or investments that do not comply with the eligibility criteria or have been disposed of. In such cases, the Committee will endeavour to replace the excluded projects with eligible ones as soon as practicably possible. • Reviewing the Management of Proceeds (refer to Principle 3 under Schedule 2). • The preparation of allocation and impact reports associated with the Green Financing Framework, and the review and approval of what is to be reported in the annual reports. <p>We can conclude the Framework appropriately describes the Process for Project Evaluation and Selection. The specific issuances will need to be further assessed on a case-by-case basis.</p>
2b	Issuer's governance framework	In addition to the information disclosed by an issuer on its Green Bond/Loan process, criteria and assurances, investors may also take	Discussions with ENW and review of the following documents: <ul style="list-style-type: none"> • Business Ambition Pledge. • ED2 Business Plan 2023-2028. 	DNV has reviewed the evidence and we can confirm this process will be supported by a robust governance framework, and the Company's commitment to the environment through its ESG commitments outlined within its EAP.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>into consideration the quality of the issuer’s overall framework and performance regarding environmental sustainability.</p>	<ul style="list-style-type: none"> • Environment Report 2021. • Environmental Action Plan (EAP). • EV Case Study – adopting electric vehicles and sustainable travel. • EV Factsheet. • ENW’s Green Financing Framework – September 2022. • ENWL project spend analysis with mapping - September 2022. • ENWL Treasury Policy Nov 2021. • Net Zero Plan 2023 – 2028. 	<p>In the near term, ENW has committed to a Science Based Target (SBT) and an evaluation of Embodied Carbon. It is aligned to a 1.5°C scenario under the under the Science Based Target Initiative (SBTi) and has committed to a 63% reduction in Scope 1, 2 and 3 carbon emissions based on an absolute contraction approach by 2035, against a 2020 baseline. DNV notes that ENW’s Scope 3 reduction target covers business travel, commuting and fuel, energy related activities, plus contractor fuel use within purchased goods and services.</p> <p>In the long run, ENW has joined the ‘Race to Zero’ campaign and has set a Net Zero target for the Company by 2038. ENW’s commitments cover: water, waste, biodiversity, buildings, Polychlorinated biphenyls (PCBs), car fleet, and sulphur hexafluoride, as a wider green strategy.</p> <p>The EAP outlines the company’s commitment to improving environmental performance, for instance moving the whole system away from fossil fuels towards renewable generation connections, investment in electric vehicles (EV), the use of heat pumps, and reducing the environmental impact of its equipment and operations through targeted programmes (e.g., removing PCBs from transformers) and actions to install new, more efficient, less polluting equipment.</p> <p>DNV concludes based on the information provided to us, the process for project evaluation and selection is in line with ENW’s wider approach to managing sustainability and the risk associated with potential projects to be funded.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The gross proceeds of a Green Bond/Loan should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green Projects.	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • ED2 Business Plan 2023-2028. • ENW's Green Financing Framework – September 2022. • ENWL Treasury Policy Nov 2021. 	<p>DNV can confirm that ENW will internally track the value of the green financing, and the amount of net proceeds outstanding under this Framework on a portfolio basis, until all the proceeds of the relevant green debt instrument have been fully allocated.</p> <p>An internal register will be established to track the proceeds. The proceeds on this register will be reviewed at least annually by the Sustainable Financing Committee, to account for any re-allocation, repayments, or drawings on the eligible projects and expenditures within the portfolio.</p> <p>The register will contain relevant information including:</p> <ul style="list-style-type: none"> • Details of the bond and/ or loan, including the principal amount of the bond and/ or loan, and the net proceeds. • Details of the use and application of the proceeds, including: <ul style="list-style-type: none"> ○ <i>Summary of eligible projects to which the proceeds of the bond and/ or loan have been earmarked in accordance with this Framework;</i> ○ <i>Amount of allocation made;</i> ○ <i>Any unallocated bond and/ or loan proceeds yet to be earmarked against eligible projects;</i> ○ <i>Estimated environmental impact of the bond and/ or loan, where available; and</i> ○ <i>Other relevant information.</i>
3b	Tracking procedure	So long as the Green Bonds/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>Discussions with ENW and review of the following documents:</p> <ul style="list-style-type: none"> • ED2 Business Plan 2023-2028. • ENW's Green Financing Framework – September 2022. • ENWL Treasury Policy Nov 2021. 	<p>DNV confirms that ENW has committed to track internally, the value of the green financing and the amount of net proceeds outstanding under this Framework on a portfolio basis, for so long as the finance remains in place.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to Eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Discussions with ENW and review of the following documents: <ul style="list-style-type: none"> ED2 Business Plan 2023-2028. ENW's Green Financing Framework – September 2022. ENWL Treasury Policy Nov 2021. 	ENW has confirmed if the amount of net proceeds outstanding under this Framework temporarily exceed the value of the green financing, all or a portion of the net proceeds outstanding, may be used for debt repayment and/ or temporary treasury investments (including deposits with money market funds).

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which the bond proceeds, and where appropriate Loan proceeds, have been allocated including - where possible, with regards to confidentiality and/ or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmental, social and/ or sustainable impact.	Discussions with ENW and review of the following documents: <ul style="list-style-type: none"> Business Ambition Pledge. ED2 Business Plan 2023-2028. Environmental Action Plan (EAP). Environment Report 2021. ENW's Green Financing Framework – September 2022. ENWL project spend analysis with mapping - September 2022. ENWL Treasury Policy Nov 2021. EV Case Study – adopting electric vehicles and sustainable travel. EV Factsheet. Net Zero Plan 2023 – 2028. 	<p>ENW has confirmed it is committed to annual reporting on both the allocation and impact of the proceeds, as part of ENW's Annual Reporting. This will be published on its website.</p> <p>Reporting will be updated annually until the full allocation of the net proceeds of any green bond and/ or loan.</p> <p>Allocation reporting will detail:</p> <ul style="list-style-type: none"> The total amount of proceeds allocated to the eligible projects; Breakdown of allocation per project category; Split between financing versus new financing; The year of investment / disbursement; Details on where the balance of unallocated proceeds are designated; and Case studies concerning specific projects financed. <p>Impact reporting will also take place, and will detail the following indicators for each eligible category:</p> <p>Renewable energy</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • Additional capacity of renewable generation connected (MW); • Number of EV charging points connected; • Number of Heat Pumps installed at properties connected to ENW's network. <p>Energy efficiency</p> <ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e); • Electrical losses prevented (MWh); • Number of customers covered by Smart Street technology. <p>Pollution prevention and control</p> <ul style="list-style-type: none"> • Reduction in oil leakage (litres); • Length of oil/gas filled cable replaced; • Number of PCB transformers replaced. <p>Green Buildings</p> <ul style="list-style-type: none"> • Estimated CO₂ emissions avoided (tCO₂e); • Number of EV charging points connected. • Number of buildings and/ or total sq. meters renovated and achieving BREEAM certification of "Very Good". <p>Climate change adaptation</p> <ul style="list-style-type: none"> • Number of substations remediated with flood protection to 1 in 100-year events; • Number of sites flood protected. <p>Environmentally sustainable management of living natural resources and land use</p> <ul style="list-style-type: none"> • Length of cable under-grounded; • Number of trees planted. <p>Clean Transportation</p> <ul style="list-style-type: none"> • Number of diesel/petrol vehicles replaced with Electric Vehicles;

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • Estimated CO2 emissions avoided (tCO2e); • Number of EV charging points connected. <p>We can confirm ENW's reporting commitments are in line with the requirements of the ICMA/ LMA Principles.</p> <p>DNV can further confirm ENW's intent to seek external verification of its allocation reporting until all proceeds of the relevant green debt instrument have been fully allocated.</p>