



WESSEX WATER'S SUSTAINABLE FINANCE FRAMEWORK 2024

Wessex Water
YTL GROUP



Document title: Second Party Opinion on Wessex Water's Sustainable Finance Framework

Prepared by: DNV Business Assurance Services UK Limited

Location: London, U.K.

Date: 04 April 2024

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial Framework being assessed.

WESSEX WATER'S SUSTAINABLE FINANCE FRAMEWORK 2024

DNV INDEPENDENT ASSESSMENT

Scope and Objectives

Wessex Water Limited and its subsidiaries (henceforth referred to as “Wessex Water Group”, “Wessex Water” or the “Group”) are a UK-based water and sewerage treatment utility company, and a wholly owned subsidiary of YTL Power International of Malaysia.

Wessex Water serves a population of 2.9 million customers across the South-West of England, including parts of Somerset, Dorset, Bristol, most of Wiltshire, and areas of Gloucestershire and Hampshire. The Group’s coverage also includes seven Areas of Outstanding Natural Beauty, and three designated UNESCO World Heritage Sites. Wessex Water manages a network of over 30,000 kilometers of sewerage pipes, provides around 278 million litres of clean drinking water, and treats up to 898 million litres of wastewater per day. According to several key metrics used by UK water regulators, the Group has consistently ranked as one of the best water and sewerage company in the UK among customers, as evidenced by its overall 4.6-star rating on Trustpilot¹

Wessex Water Limited has a number of other subsidiaries which operate across the retail, construction, infrastructure, and environmental services businesses, with the main being Wessex Water Enterprises Ltd, Turnbull Infrastructure & Utilities Ltd, and Water2Business Ltd.

Wessex Water has renewed its Sustainable Finance Framework (the “Framework”) for 2024, under which it, and its subsidiaries (the “Wessex Water Group”) can issue Sustainable Financing Instruments (green, social and sustainability bonds and/or loans, and other debt instruments) to support its Environmental, Social, and Governance (ESG) agenda and its corporate purpose of, supporting their “customers’ health and wellbeing and enhance the environment and the diverse communities” that they serve. Through the issuance of the Sustainable Financing Instruments, the Group intends on delivering tangible environmental and social benefits on an individual and/ or combined basis.

DNV Business Assurance Services UK Limited (“DNV”) has been commissioned by Wessex Water to provide a review of the Framework against the International Capital Market Association (“ICMA”) Green Bond Principles 2021 with June 2022 Appendix 1 (“GBP”), Social Bond Principles 2023 (“SBP”) and Sustainability Bond Guidelines 2021 (“SBG”), and the Loan Market Association (“LMA”) for Green Loan Principles 2023 (“GLP”) and Social Loan Principles 2023 (“SLP”).

Our methodology to achieve this is described under the ‘Work Undertaken’ section below. DNV has not been commissioned to provide independent assurance or other audit activities. No assurance has been provided regarding the financial performance of any bonds or loans issued under the Framework, the value of any investments, or the long-term environmental/social benefits of the associated transactions. Our objective has been to provide an independent assessment of the Framework to establish if it has met the criteria established on the basis as set out below.

Responsibilities of the Management of Wessex Water and DNV

The management of Wessex Water have 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 Wessex Water’s management, and other interested stakeholders such as investors, as to whether the Framework is aligned with the principles for such finance as set out by the ICMA GBPs, SBPs and the SBGs, and LMA GLPs and the SLPs. DNV’s assessment is also supplemented with international guidelines and standards as well as DNV’s own technical expertise, to assess the sustainability eligibility.

In our work we have relied on the information and the facts presented to us by Wessex Water. DNV is not responsible for any aspect of the projects, expenditures, or instruments referred to in this opinion, and cannot be held liable if the estimates,

¹ Trustpilot: [Wessex Water Reviews | Read Customer Service Reviews of www.wessexwater.co.uk \(trustpilot.com\)](https://www.wessexwater.co.uk/trustpilot.com).

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

Basis of DNV's opinion

We have adapted our eligibility assessment methodology to create a Wessex Water-specific Sustainable 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 in which the Framework has been reviewed is grouped under the four Principles as outlined below:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a Green, Social or Sustainability Bond/Loan must use the funds raised to finance or refinance eligible activities. The eligible activities should produce clear environmental and/or social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a Green, Social or Sustainability Bond/Loan should outline the process it follows when determining eligibility of an investment using Green or Social Bond/Loan proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Green, Social or Sustainability Bond/Loan 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 bond investors or lenders should be made of the use of Green, Social or Sustainability Bond/Loan proceeds, and that quantitative and/or qualitative performance indicators should be used.

Work undertaken

Our work has constituted a high-level review of the available information provided to us by Wessex Water, 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 undertaken which has formed our opinion includes:

- The creation of a Wessex Water-specific Protocol adapted to the purpose of the Framework, as described above.
- Assessment of the documentary evidence provided by Wessex Water on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with Wessex Water's management team, and a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria as detailed in [Schedule 2](#) of this document.

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

Findings and DNV's opinion

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

1. Principle One: Use of Proceeds.

Wessex Water has confirmed that an amount equivalent to the gross proceeds of the Sustainable Financing Instruments (green, social and sustainability bonds and/or loans, and other debt instruments) will be used to finance and/ or refinance, in whole or in part, qualifying projects "Eligible Green Projects" and "Eligible Social Projects". These projects are set out to deliver positive environmental and social benefits to the communities in which Wessex Water serves. Assets, capital expenditures, and financing instruments that fall within the relevant green or social categories as outlined below, are defined as qualifying projects that together, form part of Wessex Water's "Eligible Sustainable Portfolio".

Eligible Green Categories:

- Sustainable Water and Wastewater Management.
- Terrestrial and Aquatic Biodiversity Conservation.
- Environmentally Sustainable Management of Living Natural Resources and Land Use.
- Pollution Prevention and Control.
- Energy Efficiency.
- Renewable Energy.
- Clean Transportation.
- Climate Change Adaptation.
- Green Buildings.
- Eco-Efficient and/or Circular Economy Adapted Products, Production Techniques, and Processes.

Eligible Social Categories:

- Assess to Essential Services and Affordable Basic Infrastructure.
- Socioeconomic Advancement and Empowerment.

Within the Framework, Wessex Water has provided a list of example projects (see [Schedule 1](#) of this opinion), the performance criteria for each eligible category (see [Schedule 2](#) for illustrative performance indicators), and details the potential environmental and social benefits from them. For the Eligible Social Categories, we can confirm that Wessex Water has also defined the target population that is in line with the requirements as set out by the ICMA/LMA Principles i.e. focusing on under-served people without quality or affordable access to water or wastewater services, and people vulnerable or disadvantaged through socioeconomic status, protected characteristic, or other groups, factors or situations.

Wessex Water has also mapped the eligible green and social project categories to the stated United Nations Sustainable Development Goals (SDGs) – specifically SDG 3 (Good Health & Wellbeing), SDG 4 (Quality Education), SDG 6 (Clean water & Sanitation), SDG 7 (Affordable & Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption & Production), SDG 13 (Climate Action), SDG 14 (Life Below Water) and SDG 15 (Life Below Land). In addition, for the Eligible Green Project Categories, Wessex Water has also mapped the projects to the relevant EU Sustainable Taxonomy Objectives, as well as the Group's key outcome themes (see [Schedule 1](#) of this opinion).

Wessex Water has confirmed that it will endeavour to allocate the gross proceeds to Eligible Projects that were originated, approved, financed, or have been completed within 36 months *before* the issuance date of a Sustainable Finance Instrument, to 24 months *after* the issuance date. Refinancing of the existing eligible green or social assets that commenced at an earlier date may also be considered on an exceptional basis and will be measured at asset value. Wessex Water has also confirmed that in no circumstances does the Group expect to allocate the proceeds of a Sustainable Finance Instrument to finance any dividend payments.

DNV concludes that the Eligible Environmental and Social Categories as described within the Framework (and the example projects provided to DNV) are consistent with those listed in the GBP, SBP, SBG, GLP and the SLP, and that such projects will provide clear environmental and/or social benefits.

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

DNV can confirm that Wessex Water has a clear management structure in place for evaluating and selecting potential Eligible Green and Social Projects (expenditures and financing instruments). Wessex Water has confirmed that the projects *must* fall under one of the Eligible Green/Social Categories and meet the respective criteria as detailed in [Schedule 1](#) of this opinion. Projects that best support progress towards the UN SDGs, and/or are adequately aligned with the EU Sustainable Taxonomy Objectives for Green Categories, will be prioritised.

DNV concludes there is a robust decision-making process behind the approval of any eligible green and/or social category and projects as detailed in the Framework. The Sustainable Finance Group (henceforth referred to as the “SFG”²), will have overall responsibility for reviewing and assessing projects against the Framework’s criteria, and conducting the appropriate environmental and social risk assessments. The SFG will meet at least semi-annually, convening more frequently as needed. Projects will be selected from expenditure and investment relating to Wessex Water Group business plans, which have ultimately been approved at the Group board level.

We can also confirm that the SFG will be responsible for updating Wessex Water’s Framework to ensure that it remains compliant with the most up to date market practices, guidelines produced by financial industry bodies, and for determining whether any changes are necessary to the allocation of the proceeds due to disposals, cancelling or ineligible projects.

DNV concludes that Wessex Water has appropriately described 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 this is in line with the requirements as listed under the GBP, SBP, SBG, GLP and the SLP.

3. Principle Three: Management of Proceeds.

DNV can confirm that the management of the proceeds from the issuance of future Sustainable Financing Instruments used to finance, refinance, or invest in the eligible green and social projects will be coordinated by Wessex Water’s Group Treasurer, and that this is carried out in accordance with the Group’s internal treasury management process.

The proceeds will be initially paid into a general treasury account at the respective issuer/borrower level and an equivalent amount will be tracked until the proceeds are fully allocated, which is in line with the Group’s Treasury Policy. Wessex Water will aim to allocate the proceeds within a period of 24 months following issuance or funding (partially or in full) of any Sustainable Finance Instrument, subject to sufficient availability of the approved eligible projects. In cases where the proceeds cannot be allocated to the eligible projects, in line with their Treasury Policy, Wessex Water has also stated that they will be utilised for refinancing (whilst maintaining sufficient liquidity should proceeds be required for an Eligible Project), or placed as temporary investments, i.e. as green deposits (where it is economical to do so, and terms allow), temporary investments (including deposits with money market funds), as cash or cash equivalents, or other permitted instruments, which is in line with the Treasury Policy. The balance of allocated (or proceeds held pending allocation) proceeds will be monitored and tracked on the “Sustainable Finance Register”.

We can confirm that Wessex Water’s Group Treasurer is responsible for overseeing the production and maintenance of the Sustainable Finance Register which will be presented to, and discussed with, the Sustainable Finance Group on at least a semi-annual basis. The Treasury and Sustainable Finance Group will be responsible for ensuring that

² The SFG is led by the Group Treasurer that is comprised of members from other relevant departments, such as: Finance & Regulation, Risk & Investment, and Sustainability & Innovation.

the amounts allocated to the Sustainable Finance Instruments exceed, or are at least equal to, the balance of the Sustainable Finance Instruments outstanding, whenever possible.

DNV has reviewed the evidence provided and we can confirm that Wessex Water is committed to appropriately managing the proceeds arising from future issuances, and this is in line with the requirements of the GBP, SBP, SBG, GLP and the SLP.

4. Principle Four: Reporting.

DNV can confirm that Wessex Water has committed to annual Sustainable Financing Reporting. It will publish information on both the allocation of proceeds (Allocation Reporting) raised from the Sustainable Financing Instruments, and on the environmental and social impacts from the Eligible Projects funded by these proceeds (Impact Reporting) within one year of issuance and annually thereafter, or until the full allocation of the proceeds. These reports will be made accessible to investors on the Group's website³.

In terms of Allocation Reporting, Wessex Water will outline:

- The split between financing and refinancing.
- The share of proceeds allocated per Eligible Category.
- Details on any look back/look forward period used.
- Details of where the remaining unallocated funds are designated; and detail
- Relevant case studies and information concerning the specific projects financed.

In terms of Impact Reporting, Wessex Water has confirmed that it is committed to detailing the environmental or social impacts of the eligible projects to be funded through the proceeds.

A full list of relevant metrics have been provided by Wessex Water in [Schedule 2.](#))

The Group has also stated its intent to apply the most up-to-date standards and methodologies to measure and report on the impact of future issuances, which will be disclosed in its annual Sustainable Finance Reporting. DNV can also confirm that Wessex Water has outlined its commitment to have its allocation data independently verified by a third party.

DNV concludes that Wessex Water has made the appropriate plans to produce regular reporting on the allocation of proceeds, and on the environmental and social impact of future Sustainable Financing Instruments issuances, and this is currently made available to its investors on its [website](#). This is in line with the requirements of the GBP, SBP, SBG, GLP and the SLP.

³ <https://corporate.wessexwater.co.uk/our-future/investors/sustainable-finance-allocation-and-impact-report>.

On the basis of the information provided by Wessex Water and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol, and that it is aligned with the GBP, SBP, SBG, GLP and the SLP.

for DNV Business Assurance Services UK Limited

London, 04 April 2024



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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 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.




SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE FRAMEWORK

Wessex Water has listed its Eligible Project Categories, with descriptions of the respective activities to be (re)-financed. The Company has also mapped out alignment to the UN Sustainable Development Goals (SDGs) that the Eligible Project categories will contribute towards, also noting its alignment to EU taxonomy objectives.




Environmental Outcomes:

ICMA / LMA Green Project Category	Description of Example Eligible Projects to be Financed	Alignment with the EU Taxonomy Objectives	UN SDG Alignment	Wessex Water Outcome Theme
<p>Sustainable Water and Wastewater Management</p>	<p><u>Construction, extension and operation of water collection, treatment and supply systems, including:</u></p> <ul style="list-style-type: none"> Operation and promotion of sustainable alternatives to conventional water management and treatment. Expansion, refurbishment and improvement of the resilience of the water supply network. Nature based solutions which deliver environmental improvements, such as reducing the nutrient load in catchments. Demand reduction measures including water saving kits and water efficiency audits for customers. <p><u>Construction, extension and operation of wastewater collection and treatment, including:</u></p> <ul style="list-style-type: none"> Wastewater collection network and infrastructure. 	<p>Sustainable Use and Protection of Water and Marine Resources</p> <p>Climate Change Mitigation</p>	   	<p>Safe and reliable water supply</p> <p>An effective sewerage system</p>

	<ul style="list-style-type: none"> ▪ Water recycling centres (WRCs) and other treatment centres/enhancements. ▪ Upgrade of sewerage/sewage treatment to reduce pollution incidents. <p><u>Sustainable urban drainage systems (SUDS), including:</u></p> <ul style="list-style-type: none"> ▪ Work to reduce or mitigate flood risk and maintain sustainable urban drainage systems. <p><u>Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems, including:</u></p> <ul style="list-style-type: none"> ▪ Leakage reduction through detection, pinpointing location and repair. ▪ Improvements in the efficiency of water use through water meter installations. 			
<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<p><u>Conservation, including restoration, of habitats, ecosystems, and species, including:</u></p> <ul style="list-style-type: none"> ▪ Biosecurity implementation. ▪ Ecology and/or biodiversity preservation projects. ▪ Biodiversity net gain improvements. <p><u>Restoration of wetlands, including:</u></p>	<p>Sustainable Use and Protection of Water and Marine Resources</p> <p>Protection and Restoration of Biodiversity and Ecosystems</p> <p>Climate Change Mitigation</p>		<p>Sustainable abstraction</p> <p>Great river and coastal water quality</p>

	<ul style="list-style-type: none"> Restoration of rivers and other wetland environments. River water quality improvements. Preservation of watercourses in good ecological and chemical condition, accommodating abstractions, effluent and land run-off. 			
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p><u>Conservation, including restoration, of habitats, ecosystems, and species, including:</u></p> <ul style="list-style-type: none"> Preservation or restoration of natural landscapes <p><u>Restoration of wetlands, including:</u></p> <ul style="list-style-type: none"> Delivery and maintenance of wetland environments. <p><u>Phosphorus recovery from wastewater, including:</u></p> <ul style="list-style-type: none"> Natural capital solutions for phosphorus removal. <p><u>Additional activities may include⁴:</u></p> <ul style="list-style-type: none"> Catchment management programmes that promote farming practices that reduce fertiliser and pesticide use. 	<p>Protection and Restoration of Biodiversity and Ecosystems</p> <p>Climate Change Mitigation</p> <p>The Transition to a Circular Economy</p>		<p>Increased biodiversity</p>
<p>Pollution Prevention and Control</p>	<p><u>Anaerobic digestion of sewage sludge, including:</u></p>	<p>Climate Change Mitigation</p>	 	<p>Net zero carbon</p> <p>Great river and coastal water quality</p>



⁴ These additional activities do not explicitly align with the EU taxonomy

	<ul style="list-style-type: none"> Development of technological carbon capture such as biochar from sewage sludge pyrolysis, gasification or hydrothermal carbonisation. Monitoring and control of methane and nitrous oxide systems. Nature based solutions which deliver environmental improvements, such as reducing the nutrient load in catchments. 			
Energy Efficiency	<p><u>Additional activities may include⁵:</u></p> <ul style="list-style-type: none"> Pump efficiency investments and critical asset replacements / upgrades. Smart equipment including metering. 	Climate Change Mitigation		Net zero carbon
Renewable Energy	<p><u>Electricity generation from solar photovoltaic power, including:</u></p> <p><u>Expenditures related to all photovoltaic installations whether ground mounted, roof mounted or floating</u></p> <p><u>Electricity generation from wind power, including:</u></p> <ul style="list-style-type: none"> <u>Expenditures related to all wind power installations whether on or adjacent to our own land.</u> <p><u>Electricity generation from hydropower, including:</u></p>	Climate Change Mitigation	 	Net zero carbon



⁵ These additional activities do not explicitly align with the EU taxonomy

	<ul style="list-style-type: none"> ▪ Acquisition, construction, installation, maintenance and repair of onsite assets, or expenditures including for the generation of medium and small-scale hydropower. <p><u>Anaerobic digestion of sewage sludge, including:</u></p> <ul style="list-style-type: none"> ▪ Generation of biogas or biomethane from sewage sludge and other organic waste streams; used for electricity generation, export to the gas grid or vehicles. <p><u>Battery and thermal storage of renewable energy, including:</u></p> <ul style="list-style-type: none"> ▪ Investment in non-diesel backup generation, including renewable energy with battery storage. <p><u>Cogeneration of heat/cool and power from bioenergy and geothermal energy, including:</u></p> <ul style="list-style-type: none"> ▪ Recovery of heat from sewage pumping stations and sewers. ▪ Combined Heat & Power (CHP) - where biomethane generated from sludge and food waste provide both heat and electricity. <p><u>Manufacture and storage of hydrogen, including:</u></p> <ul style="list-style-type: none"> ▪ Hydrogen production and storage for use within our activities. <p><u>Additional activities may include⁶:</u></p>			
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⁶ These additional activities do not explicitly align with the EU taxonomy

	<ul style="list-style-type: none"> Investment in off-site verified renewable energy power purchase agreements. Investment in alternative, low carbon heating of anaerobic digesters. 			
Clean Transportation	<p><u>Transport by motorbikes, passenger cars and light commercial vehicles, including:</u></p> <ul style="list-style-type: none"> Vehicles with tailpipe emissions equal to 0g CO₂e/km, including of battery electric & hydrogen powered vehicles. Biofuel vehicles, eg, diesel to biomethane, with a carbon intensity of <50gCO₂/km; refuelling infrastructure. <p><u>Installation, maintenance and repair of charging stations for electric vehicles in buildings, including:</u></p> <ul style="list-style-type: none"> Electric vehicle charging infrastructure and associated parking spaces. 	Climate Change Mitigation		Net zero carbon
Climate Change Adaptation	<p><u>Flood risk prevention and protection infrastructure, including:</u></p> <ul style="list-style-type: none"> Improving the resilience of sites at risk of flooding. Reducing risk of sewer flooding in a storm. <p><u>Additional activities may include⁷:</u></p> <ul style="list-style-type: none"> Efforts to reduce risk of restrictions during severe drought. 	Climate Change Adaption		<p>Safe and reliable water supply</p> <p>An effective sewerage system</p> <p>Sustainable abstraction</p>



⁷ These additional activities do not explicitly align with the EU taxonomy


	<ul style="list-style-type: none"> ▪ Addressing impacts on water resource quality. ▪ Reducing risk of waste water odour. 			
Green Buildings	<p><u>Construction of new buildings, including:</u></p> <ul style="list-style-type: none"> ▪ New developments (meeting one of: EPC rating of A or B, or buildings ranked within the top 15% of the national building stock as measured by EPC/SAP or primary energy demand), or with primary energy demand at least 10 % lower than the threshold set for the "nearly zero-energy building" requirements in national measures. <p><u>Renovation of existing buildings, including:</u></p> <ul style="list-style-type: none"> ▪ Major refurbishments and renovations (meeting one of: increased EPC score by 2 notches if the score is below C, or by 1 notch to achieve an EPC A or B, achieving a ranking within the top 15% of the national building stock, or achieving a 30% improvement in energy efficiency as measured by EPC/SAP or primary energy demand). 	<p>Climate Change Mitigation</p> <p>Climate Change Adaption</p>		<p>Net zero carbon</p>
Eco-Efficient and/ or Circular Economy Adapted Products, Production	<p><u>Production of alternative water resources for purposes other than human consumption, including:</u></p> <ul style="list-style-type: none"> ▪ Increase non-potable water recycling. <p><u>Additional activities may include⁸:</u></p>	<p>The Transition to a Circular Economy</p>		<p>Enhancing the environment</p>

⁸ These additional activities do not explicitly align with the EU taxonomy

Techniques and Processes	<ul style="list-style-type: none"> ▪ Increase value creation from waste via recycling to a substitute product and moving up the waste hierarchy. ▪ Optimisation of biosolids recycling. 			
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Social Outcomes:

ICMA / LMA Social Project Category	Description of Example Eligible Projects to be Financed	Target Population	UN SDG Alignment	Wessex Water Outcome Theme
<p>Access to Essential Services and Affordable Basic Infrastructure</p>	<p><u>Construction, extension, operation and renewal of water collection, treatment and supply systems, including:</u></p> <ul style="list-style-type: none"> Maintenance of water assets and services including as necessary to supply water and service all customers. Replacement of lead pipes in the network to ensure the network is lead free by 2040. <p><u>Additional activities may include:</u></p> <ul style="list-style-type: none"> Enabling disadvantaged customers (e.g. elderly, vulnerable and disabled customers, customers living in remote areas) to maintain access to water supplies through a service that is inclusive and accessible for all. Extending social tariffs to more households living below the poverty line. Extending water use education and help to reduce bills by promoting risk-free metering services – especially among elderly and undereducated people. 	<p>All under-served people without quality or affordable access to water or wastewater services</p>	 	<p>Great customer experience</p>

<p>Socioeconomic Advancement and Empowerment</p>	<p><u>Activities may include:</u></p> <ul style="list-style-type: none"> • Investment in employee/community education and apprenticeships to empower and educate local communities – especially among those who are unemployed or at risk of unemployment, undereducated or underserved. • Promoting STEM subjects (Science, Technology, Engineering and Maths). • Creating high quality work placements. • Wessex Water Foundation funding to support the environment and communities. • Water Force volunteering to help support charities and community groups in our region. 	<p>People vulnerable or disadvantaged through socioeconomic status, protected characteristic, or other groups, factors or situations.</p>		<p>Serving people and places</p>
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SCHEDULE 2: WESSEX WATER-SPECIFIC SUSTAINABLE FINANCE FRAMEWORK ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	The Sustainable Finance Framework should make clear what financial instruments are to be defined as eligible for green, social and sustainable financing.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water's Sustainable Finance Framework 2024 	<p>The Framework is developed under the entity Wessex Water Limited and its subsidiaries including Wessex Water Services Limited, Wessex Water Services Finance Plc. etc. (the "Wessex Water Group").</p> <p>The Framework outlines the type of Sustainable Financing Instruments expected to be issued as green, social, or sustainability debt instruments, as follows:</p> <ul style="list-style-type: none"> Green, Social and/ or Sustainability Bonds. Green and/or Social Loans. Green, Social and/ or sustainability private placements, medium-term notes or commercial paper. <p>DNV can confirm that the specific type of financing instruments 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 and the EU Taxonomy objectives, as indicated in Schedule 1.</p>
1b	Green / Social / Sustainable Project Categories	The cornerstone of a Green/ Social/ Sustainability Bond/ Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:	We can confirm that the Framework appropriately describes the Utilisation of Proceeds and the Eligible Sustainable Project Categories to be financed, in part or in whole, that define Wessex Water's Eligible Sustainable Portfolio.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> Wessex Water's Sustainable Finance Framework 2024 	<p>This can include:</p> <p><i>Eligible Green Categories:</i></p> <ul style="list-style-type: none"> Sustainable Water and Wastewater Management. Terrestrial and Aquatic Biodiversity Conservation Environmentally Sustainable Management of Living Natural Resources and Land Use Pollution Prevention and Control Energy Efficiency Renewable Energy Clean Transportation Climate Change Adaptation Green Buildings Eco-Efficient and/or Circular Economy Adapted Products, Production Techniques and Processes. <p><i>Eligible Social Categories:</i></p> <ul style="list-style-type: none"> Access to Essential Services & Affordable Basic Infrastructure. Socioeconomic Advancement and Empowerment. <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 / Social / Sustainable benefits	All designated Green/ Social/ Sustainable Project categories should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.	<ul style="list-style-type: none"> In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water: Wessex Water's Sustainable Finance Framework 2024 	Wessex Water has a corporate purpose to support their- " <i>customers' health and wellbeing and enhance the environment and the diverse communities</i> " that they serve. In particular, the Group has pledged a commitment to move towards more environmental and nature-based approaches to assess and solve the problems by developing holistic

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> • Wessex Water UK 2050 Water Innovation Strategy • Wessex Water Strategic Direction 	<p>solutions which aim to deliver environmentally sustainable and social benefits.</p> <p>The Framework outlines the overarching environmental, social, and sustainable benefits that will be realised by any sustainable financing instrument that is issued under the Framework.</p> <p>The Company has demonstrated its commitment to working towards these benefits though specifying which of the UN SDGs the proposed Eligible Green and Social Projects will contribute towards, i.e.:</p> <ul style="list-style-type: none"> ▪ Goal #3 (Good Health & Wellbeing) ▪ Goal #4 (Quality Education) ▪ Goal #7 (Affordable & Clean Energy) ▪ Goal #8 (Decent Work & Economic Growth) ▪ Goal #10 (Reduced Inequalities) ▪ Goal #11 (Sustainable Cities & Communities) ▪ Goal #12 (Responsible Consumption & Production) ▪ Goal #13 (Climate Action) ▪ Goal #14 (Life Before Water) ▪ Goal #15 (Life on Land) <p>The specific quantifiable and qualitative benefits (where relevant) of each issuance will need to be agreed on a case-by-case basis and will be subject to further assessment.</p> <p>Wessex Water has also outlined potential KPI reporting metrics to demonstrate the impact from the different projects that are financed, as detailed in Section 4a.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1d	Target Population	All designated social projects should provide the social benefits outlined in 1d to specific target populations.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework 2024 	<p>The proceeds will be targeting:</p> <ul style="list-style-type: none"> Under-served people without quality or affordable access to water or wastewater services People vulnerable or disadvantaged through socioeconomic status, protected characteristic, or other groups, factors or situations. <p>DNV confirms that the target population is consistent with the target populations as outlined in the SBPs and SLPs.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green/ Social/ Sustainability Bond/ Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/ Loan proceeds.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework 2024 	<p>DNV confirms that the Group has reported in the Framework, a clear management structure in place to select and evaluate the Eligible Projects it will finance.</p> <p>Operating in a highly regulated industry the Group must have established and clear policies and practices in place. For the Eligible Projects to be considered, they must fall under the Eligible Categories and meet the Eligibility Criteria, as detailed in Schedule 1.</p> <p>To oversee and support the Project evaluation selection process, Wessex Water has established the “Sustainable Finance Group” (“SFG”) which meets at least semi-annually and is led by the Group’s Treasurer. The Group comprises of</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>members from other relevant internal departments (e.g. Finance & Regulation, Risk & Investment, Sustainability & Innovation). Approval for each Eligible Project is obtained through general and majority consensus across the SFG.</p> <p>The SFG's responsibilities include:</p> <ul style="list-style-type: none"> ▪ Reviewing projects for eligibility under the Sustainable Finance Framework. ▪ Conducting and assessing the environmental and social risks of proposed projects. ▪ Monitoring the proceeds of the Sustainable Financing Instruments to ensure: <ul style="list-style-type: none"> ○ (i) they are allocated in accordance with the defined eligible categories as listed within the Sustainable Finance Framework, or ○ (ii) otherwise held appropriately pending allocation. ▪ Determining whether any changes are necessary to the allocation of the proceeds due to disposals, cancelling, or ineligibility of projects. ▪ Overseeing the collection of data and reporting of information about the allocation of amounts equivalent to of the gross proceeds in the Groups' Sustainable Finance Annual reporting (i.e. Allocation and Impact reporting). ▪ Reviewing the applicability of the framework for future financing needs (including expenditures and instruments). ▪ Reviewing the framework for relevant and appropriate updates due to changes in generally accepted market practices, or guidelines produced by financial industry bodies.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>DNV concludes that the activities to be financed by future sustainable finance debt issuances will be appropriately evaluated, selected, managed and reported on, as outlined within the Framework, and that they meet the requirements as set out under the GBP, SBP, SBG, GLP and the SLP.</p>
2b	<p>Issuer's governance framework</p>	<p>In addition to the information disclosed by an issuer on its Green/ Social/ Sustainability Bond/ Loan process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.</p>	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water's Sustainable Finance Framework 2024 	<p>Wessex Water has established a core strategy based on a commitment to support customers' health wellbeing and to enhance the environment and the diverse communities it serves – and intends on advancing the applicable UN SDGs and aligning to the EU Taxonomy objectives (see Schedule 1).</p> <p>The SFG has also committed to managing environmental and social risks associated with the Eligible Projects put forward, in accordance with the Group's internal governance process.</p> <p>The Risk Management Group is also responsible for actively managing environmental and social project risks and potential negative impacts across the business.</p> <p>DNV concludes that based on the information provided, this is in line with Wessex Water's wider approach to managing sustainability and the risk of potential and future Eligible Projects.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The gross proceeds of a Green/ Social/ Sustainability 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/ Social/ Sustainable Projects.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> • Wessex Water's Sustainable Finance Framework 2024 • Wessex Water's Treasury Management Policy (Internal) 	<p>Wessex Water has confirmed that amounts equivalent to the gross proceeds arising from the issuance of the Sustainable Financing Instruments under the Framework will be used to finance, refinance, or to invest in, Eligible Projects as defined in the Framework.</p> <p>The management of the gross proceeds will be governed by the Group Treasurer, and DNV can confirm that this is in accordance with Wessex Water's internal treasury management process.</p> <p>Wessex Water has also stated its intent to allocate amounts equivalent to the gross proceeds to eligible expenditures originated, approved, financed, or completed between 36 months <i>before</i> the issuance date of a Sustainable Finance Instrument, to 24 months <i>after</i> the issuance date. The refinancing of existing green or social assets originated at an earlier date may be considered on an exceptional basis, for example: an asset with an ongoing green or social benefit which was previously financed without sustainable funding may be considered. Wessex Water has reported that in these instances, they will be measured at asset value.</p> <p>The proceeds from the financing will initially be paid into a general treasury account at the respective issuer/borrower level, and an equivalent amount will be tracked until the proceeds are fully allocated. DNV can confirm Wessex Water will endeavour to allocate proceeds within a period of 24 months following the issuance or funding (partial or full)</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>of any Sustainable Finance Instrument, subject to sufficient availability of approved Eligible Projects.</p> <p>DNV has can confirm that Wessex Water has committed to appropriately managing the proceeds arising from issuances of Sustainable Financing Instruments in line with the requirements of the GBP, SBP, SBG, GLP and the SLP.</p>
3b	Tracking procedure	So long as the Green/ Social/ Sustainability Bonds/ Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible Green/ Social/ Sustainable investments or loan disbursements made during that period.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework 2024 	<p>Wessex Water will maintain a register for tracking Sustainable Finance Projects (the “Sustainable Finance Register”) to which the proceeds will be allocated. This Register will track the balance of allocated and unallocated proceeds over time and will be overseen by Treasury. For additional oversight, this Register will, on at least a semi-annual basis, will be shared and discussed with the SFG.</p> <p>Where the Sustainable Financing Instruments are outstanding, the Treasury team will ensure that the balance of the tracked proceeds is periodically reduced by an amount matching the allocations made to eligible projects during that period.</p> <p>DNV concludes that Wessex Water has a clear process in place for tracking the unallocated and allocated proceeds balance for the Eligible Projects.</p>
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.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework 2024 	<p>The Treasury and the Sustainable Finance Group will seek to ensure that the amounts allocated to Sustainable Finance Instruments exceed, or are at least equal to, the balance of the Sustainable Finance Instruments outstanding, whenever possible.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> Wessex Water's Treasury Management Policy (Internal) 	<p>In circumstances where proceeds cannot immediately be allocated to an Eligible Project, unallocated proceeds, tracked and managed in alignment with Wessex Water's Treasury policy, may be used for temporary refinancing or be placed into temporary investments (including money market funds, holding in cash, cash equivalents or other permitted investments, or "green" deposits). DNV has confirmed that Wessex Water will maintain sufficient liquidity at all times to ensure proceeds are available when required for an Eligible Project.</p> <p>DNV can confirm that Wessex Water has appropriately disclosed how it will manage any unallocated proceeds from its Sustainable Financing Instruments and that this is in line with the GBP, SBP, SBG, GLP, and the SLP.</p>

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	<p>In addition to reviewing the evidence below, we have had detailed discussions with Wessex Water:</p> <ul style="list-style-type: none"> Wessex Water's Sustainable Finance Framework 2024 	<p>Wessex Water has confirmed that it has committed to annual Sustainable Finance reporting of allocations and impacts. This will be accessible by investors via the Wessex Water website.</p> <p>Allocation reporting will set out the:</p> <ul style="list-style-type: none"> Proceeds allocated for each eligible category. Split between financing and refinancing. Details of any look back or look forward periods.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>description of the projects and the amounts disbursed, as well as the expected environmental, social and/or sustainable impact.</p>		<ul style="list-style-type: none"> ▪ Example case studies or information where relevant for material projects financed. ▪ Information on the remaining unallocated proceeds and how they are being held. <p>The report will be issued within one year of issuance of each Sustainable Financing Instrument. Reporting will continue until all gross proceeds have been reported as being fully allocated to Eligible Project spend, whichever occurs earlier.</p> <p>Should there be a material change to the allocation of proceeds, Wessex Water will endeavour to update the allocation reporting periodically.</p> <p>Impact reporting will also be made available by Wessex Water to provide its investors with information relating to the environmental or social impacts of the Eligible Projects funded by the proceeds raised from the relevant Sustainable Financing Instrument. This will include relevant indicators determining the quantifiable impact of their financing, such as, but not limited to the following, (see the Framework for further detail):</p> <ul style="list-style-type: none"> ▪ Tonnes of biosolids recycled. ▪ Sewer flooding risk (nr.). ▪ Details of the certifications achieved for new buildings and any improvements resulting in an EPC uplift. ▪ Methane leakage and nitrous oxide reduction (kgCO₂e). ▪ Avoided emissions (tCO₂e) and energy generation from biomethane export.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> ▪ Average energy consumption of the system, kWh/m³ per cubic meter billed / unbilled authorised water supply. ▪ Area of land conserved and enhanced in the region through land management, and focused projects and investments (hectares). ▪ Water mains repairs (number of repairs per 1,000km). ▪ Water supply interruptions (minutes per property per year). ▪ Wastewater pollution incidents (total number of pollution incidents [categories 1 to 3] per 10,000km of sewer). ▪ Maintaining high-quality drinking water, measured in terms of water quality compliance risk index (CRI). ▪ Employees rating company as a good employer - % of employees. ▪ Priority services register - % customers. ▪ Emissions per megalitre of treated water, kg CO₂e/ML. <p>DNV can confirm Wessex Water's commitment to producing appropriate and transparent reporting on both the allocation and impact of the financing, and that this meets the requirements of the GBP, SBP, SBG, GLP and the SLP.</p>