

WESSEX WATER'S SUSTAINABLE FINANCE FRAMEWORK 2022

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 utility with two principal business streams, the appointed water and wastewater services business and the retail, construction, infrastructure and environmental services businesses.

Wessex Water Services Limited is the appointed water and wastewater business serving a population of 2.8 million customers across the South-West of England including parts of Somerset, Dorset, and Wiltshire. 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 around 21,000 miles of sewerage pipes, provides around 280 million litres of clean drinking water, and treats up to 480 million litres of sewage per day. According to several key metrics used by UK water regulators, the Group has consistently ranked as the best water and sewerage company in the UK among customers, and has received a five-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.

Wessex Water has developed a Sustainable Finance Framework (the “Framework”) 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 corporate purpose of, supporting *“our customers’ health and wellbeing and enhance the environment and the diverse communities we serve”*. Through the issuance of its 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 (“GBP”), Social Bond Principles 2021 (“SBP”) and Sustainability Bond Guidelines 2021 (“SBG”), and the Loan Market Association (“LMA”) for Green Loan Principles 2021 (“GLP”) and Social Loan Principles 2021 (“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 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 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 issued by the ICMA and LMA. DNV's assessment is 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, where feasible.

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 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:

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

In 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 - providing an inclusive and accessible service to all, with a focus on supporting disadvantaged customers (e.g., the elderly, the vulnerable, undereducated customers, the disabled, customers living in remote areas), the unemployed/ at risk of unemployment, and the undereducated/ underserved.

Wessex Water has also mapped the eligible green and social project categories to the stated United Nations Sustainable Development Goals (SDGs) - specifically 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 mapped the projects to the relevant EU Environmental Objectives, as well as the Group's key outcome themes (see [Schedule 1](#) of this opinion).

In addition, Wessex Water has confirmed that it will endeavour to allocate the gross proceeds to Eligible Projects that 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 Green 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 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 Environmental 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), with input from the Environmental and Public Value Committee, 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 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, Wessex Water has also stated that they will be 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 Treasury 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

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.

least a semi-annual basis. The Treasury and Sustainable Finance Group will be responsible for ensuring that 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 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.

Relevant metrics may include, for instance (see [Schedule 2](#) for more examples):

- Reducing leakage from the network (measured in megalitres per day (MI/d)).
- Methane leakage and nitrous oxide reduction (kgCO₂e).
- Smarter Water Catchment Initiatives (number of catchments schemes).
- Area of land conserved and enhanced in a region through land management, focused projects, and investments (measured in total hectares of land enhanced).
- Maintaining high-quality drinking water (measured in terms of water quality compliance risk index - CRI).

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. We can also confirm that Wessex Water has outlined its commitment to have its data independently verified by a third party.

DNV concludes that Wessex Water has made the appropriate plans to produce reporting on the allocation of proceeds, and on the environmental and social impact of future Sustainable Financing Instruments issuances, and this will be 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 [Home Page - OUR FUTURE PERFORMANCE | Wessex Water.](#)

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 as established in the Protocol, and that it is aligned with the stated definition of "Green Bonds" as within the GBP 2021, "Social Bonds" as within the SBP 2021, "Sustainability Bonds" as stated within the SBG 2021, "Green Loans" within the GLP 2021, and "Social Loans" as stated within the SLP 2021.

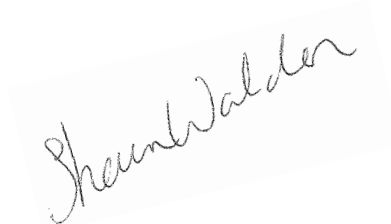
for DNV Business Assurance Services UK Limited

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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 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

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



ICMA / LMA Green project category	Description of activities	Alignment with the EU Environmental Objectives	UN SDG alignment	Wessex Water Outcome Theme
Eligible Green Categories:				
Sustainable Water and Wastewater Management	<p>Projects for capital maintenance, replacement, and enhancement of sites aimed at reducing leakage or water losses, improving water quality, or enhancing the resilience of the water supply.</p> <p>Examples may include:</p> <ul style="list-style-type: none"> • Operation and promotion of sustainable alternatives to conventional water management and treatment. • Improving the resilience of the water supply network. • Leakage reduction through detection and pinpointing leaks. • Improvements in the efficiency of water use through water meter installations, water-saving kits, and water efficiency audit for customers. • Work to reduce or mitigate flood risk and maintain sustainable urban drainage systems. • Water Recycling Centres (WRCs) and other treatment centres/enhancements. • Nature-based solutions that deliver environmental improvements, such as reducing the nutrient load in catchments through nature-based solutions. 	Sustainable Use and Protection of Water and Marine Resources	 	Safe and reliable water supply An effective sewerage system


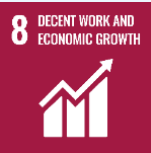

<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<p>Projects to re-naturalise river channels by improving overall river water quality, reducing the risk of spread of invasive species, and improving biodiversity. Examples may include:</p> <ul style="list-style-type: none"> • River restoration, ecology and/or biodiversity preservation projects. • River water quality improvements. • Preservation of watercourses in good ecological and chemical conditions, accommodating abstractions, effluent, and land run-off. • Biodiversity net gain improvements. • Biosecurity implementation. 	<p>Sustainable Use and Protection of Water and Marine Resources</p> <p>Protection and Restoration of Biodiversity and Ecosystems</p>		<p>Sustainable abstraction</p> <p>Great river and coastal water quality</p>
<p>Environmentally Sustainable Management of Living Natural Resources and Land Use</p>	<p>Working with catchment partners to support projects that lead to an improvement to- or reduction in the overall impact on, land (i.e. land conservation and enhancement), such as:</p> <ul style="list-style-type: none"> • Preservation and restoration of natural landscapes. • Delivery and maintenance of wetland environments. • Natural capital solutions for phosphorous removal. • Catchment management programmes that promote farming practices that reduce fertiliser and pesticide use. 	<p>Protection and Restoration of Biodiversity and Ecosystems</p>		<p>Increased biodiversity</p>
<p>Pollution Prevention and Control</p>	<p>Projects that deliver a reduction of water pollution, promote wastewater recovery, and reduce airborne emissions.</p> <p>Examples can include:</p> <ul style="list-style-type: none"> • Upgrading sewerage/sewage treatment to reduce pollution incidents. • Monitoring and control of methane and nitrous oxide systems. • Development of technological carbon capture, such as biochar from sewage sludge pyrolysis, gasification, or hydrothermal carbonisation. 	<p>Pollution Prevention and Control</p>	 	<p>Net zero carbon</p> <p>Great river and coastal water quality</p>

<p>Energy Efficiency</p>	<p>Projects aimed at improving the energy efficiency of Wessex Water's water system, such as:</p> <ul style="list-style-type: none"> • Pump efficiency investments and critical asset replacements/upgrades. • Investing in smart equipment, including metering. 	<p>Climate Change Mitigation</p>		<p>Net zero carbon</p>
<p>Renewable Energy</p>	<p>Projects that increase renewable energy generation/exported to the gas grid or vehicles, such as:</p> <ul style="list-style-type: none"> • Generation of biogas or biomethane from anaerobic digestion (e.g. sewage sludge and other organic waste streams). • Generation of medium and small-scale hydropower systems. • Expansion of solar photovoltaic and wind power projects. • Battery and thermal storage of renewable energy. • Recovery of heat from sewage pumping stations and sewers. • Hydrogen production and storage for use within Wessex Water's activities. • Investment in, or purchase from, off-site verified renewable energy generation. • Cogeneration of heating/cooling and power from bioenergy and geothermal energy. 	<p>Climate Change Mitigation</p>	 	<p>Net zero carbon</p>
<p>Clean Transportation</p>	<p>Projects relating to the reduction of Green House Gas (GHG) emissions associated with the Group's transportation (Scope 1), which may include improvements in infrastructure, such as:</p> <ul style="list-style-type: none"> • Increasing the number of electric and hydrogen battery-powered vehicles in Wessex Water's fleet, including the vehicle charging infrastructure and associated parking spaces made available. 	<p>Climate Change Mitigation</p>		<p>Net zero carbon</p>

	<ul style="list-style-type: none"> Biofuel vehicles (e.g., diesel to biomethane with a carbon intensity of <50gCO₂/km; refuelling infrastructure). 			
Climate Change Adaptation	<p>Projects relating to reducing risks associated with extreme weather events and gradual changes linked to climate change.</p> <p>Examples include:</p> <ul style="list-style-type: none"> Improving the resilience of sites at risk of flooding. Efforts to reduce the risk of restrictions during severe drought. Addressing impacts of water resource quality. Reducing the risk of sewer flooding during storm events. Reducing the risk of wastewater odour. 	Climate Change Adaptation		<p>Safe and reliable water supply</p> <p>An effective sewerage system</p> <p>Sustainable abstraction</p>
Green Buildings	<p>Projects reducing embodied carbon and emissions associated with the use of a building⁴, such as:</p> <ul style="list-style-type: none"> New developments with an EPC score of A or B. Major refurbishments or renovation of buildings that increase an EPC score by 2 or more notches if the current rating is below EPC C. 	<p>Climate Change Mitigation</p> <p>Climate Change Adaptation</p> <p>The Transition to a Circular Economy</p>		Net zero carbon
Eco-Efficient and/ or Circular Economy Adapted Products, Production Techniques and Processes	<p>Projects relating to the reduction in Wessex Water's environmental impacts and increased value from by-products.</p> <p>Illustrations can include:</p> <ul style="list-style-type: none"> Increasing value creation from waste via recycling to a substitute product and moving up the waste hierarchy. Increasing non-potable water recycling. Optimisation of biosolids recycling. 	The Transition to a Circular Economy		Enhancing the environment

⁴ Note: Includes all relevant development costs including materials, technology, land acquisition costs etc.

ICMA / LMA Social project category	Description of activities	UN SDG alignment	Wessex Water Outcome Theme
Eligible Social Category:			
Access to Essential Services and Affordable Basic Infrastructure	<p>Projects that support access to clean potable water and waste-water services that are inclusive and accessible to all customers/ households.</p> <p>Example projects may include:</p> <ul style="list-style-type: none"> • Maintenance of water assets and services, including as necessary, to supply water and service all customers. • Replacing lead pipes in the network to ensure Wessex Water’s network is lead-free by 2040. • Enabling disadvantaged customers (e.g. elderly; vulnerable and disabled customers; customers living in remote areas) to maintain access to water supplies. • Extending social tariffs to more households living below the poverty line. • Extending water use education to help reduce bills by promoting risk-free metering services (especially among the elderly and undereducated). <p>Target population: Providing an inclusive and accessible service to all, with a focus on supporting disadvantaged customers (e.g. the elderly, the vulnerable, undereducated customers, the disabled, customers living in remote areas).</p>	 	Great customer experience

<p>Socioeconomic Advancement and Empowerment</p>	<p>Projects that engage communities' and promote access to employment and education, and community amenity and recreational facilities.</p> <p>Example projects can include:</p> <ul style="list-style-type: none"> • Investment in employee/ community education programmes, and increasing the number of apprenticeships to empower and educate local communities • Promoting STEM subjects (Science, Technology, Engineering and Maths). • Creating high quality work placements. • Wessex Water Foundation funding to support the environment and local communities. • Water Force volunteering to help support charities and local community groups in the regions in which Wessex Water operates. <p>Target Population: Providing an inclusive and accessible service to all, with a focus on supporting the unemployed/ at risk of unemployment and the undereducated/ underserved.</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	<p>The Green/Social/Sustainability Bond must fall in one of the following categories, as defined by the Green/Social/Sustainability 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/Social 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/Social Projects.</p>	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water’s Sustainable Finance Framework 	<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. <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 and the EU Environmental objectives, as indicated in Schedule 1.</p>
1b	Green / Social / Sustainable Project Categories	<p>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.</p>	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water’s Sustainable Finance Framework • Annual Reports and Accounts 2021 	<p>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.</p> <p>This can include:</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> Annual Review Summary 2021 2020 Wessex Water Resilience Action Plan 	<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 Category:</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.	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework Annual Reports and Accounts 2021 Annual Review Summary 2021 	<p>Wessex Water has a corporate purpose to support - “our customers’ health and wellbeing and enhance the environment and the diverse communities we 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</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> 2020 Wessex Water Resilience Action Plan Our Strategic direction 	<p>solutions that take account of Wessex Water’s impact, and the multi-benefits to deliver sustainable results for the future.</p> <p>The Framework outlines the overarching environmental, social, and sustainable benefits that will be realised by any instrument that is issued under the Framework. 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>

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>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> Wessex Water’s Sustainable Finance Framework Annual Reports and Accounts 2021 Annual Review Summary 2021 	<p>DNV confirms that the Group has reported in the Framework, that there is 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>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>To support the selection process, Wessex Water has established the “Sustainable Finance Group” (“SFG”) who meets at least semi-annually and is led by the Group’s Treasurer. The Group comprises of members from other relevant departments (<i>e.g. Finance & Regulation, Risk & Investment, Sustainability & Innovation</i>). In addition, the SFG also sits alongside the Environmental and Public Value Committee, who reports to the group’s Board, which has ultimate responsibility for the approval of projects and the annual capital expenditure budget identified in the Group’s business plans.</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 (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 of the gross proceeds in the Groups’ Sustainable Finance Annual reporting (Allocation and impact reporting). ✓ Reviewing the applicability of the framework for future financing needs (including expenditures and instruments).

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>✓ Reviewing the framework for relevant and appropriate updates due to changes in generally accepted market practices, guidelines produced by financial industry bodies.</p> <p>We can conclude that the Framework appropriately describes the process for Project Selection and Evaluation, and that 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/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>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water's Sustainable Finance Framework • Annual Reports and Accounts 2021 • Annual Review Summary 2021 	<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 EU Environmental objectives (see Schedule 1).</p> <p>The Group has also committed to managing potential risks associated with the Eligible Projects put forward, to maximise the positive impact on the society and environment as a result of its business and operations. Moreover, to drive transparency over its operations, the SFG will conduct a risk assessment on all potential eligible projects, in accordance with the Group's internal governance process.</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 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>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water's Sustainable Finance Framework • Annual Reports and Accounts 2021 • Annual Review Summary 2021 • Wessex Water Treasury Policy Review October 2021 • Interim Financial Information and Report for the six months to 30 September 2021 • APR tables excluding SA-3I-2021 • Capital Project Alignment Workbook (Draft) 	<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 under the Framework.</p> <p>The management of the gross proceeds will be governed by the Group Treasurer, and we can confirm that this is in accordance with Wessex Water's internal treasury management process.</p> <p>Wessex has also stated its intent to allocate the gross proceeds to capital 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; Wessex Water has reported that 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. Wessex Water will aim to allocate proceeds within a period of 24 months following issuance or funding (partial or full) of any Sustainable Finance Instrument, subject to sufficient availability of approved Eligible Projects.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>DNV has can confirm that Wessex Water has committed to appropriately managing the proceeds arising from future Sustainable Financing Instruments in line with the requirements of the GBP, SBP, SBG, GLP and the SLP.</p>
3b	Tracking procedure	<p>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>	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water’s Sustainable Finance Framework • Annual Reports and Accounts 2021 • Annual Review Summary 2021 • Wessex Water Treasury Policy Review October 2021 • Capital Project Alignment Workbook (Draft) • Interim Financial Information and Report for the six months to 30 September 2021 • APR tables excluding SA-3I-2021 	<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.</p> <p>Wessex Water has also reported in the Framework, that the Treasury will present the Register to the “Sustainable Finance Group” on at least a semi-annual basis.</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 balance of the Eligible Projects.</p>
3c	Temporary holdings	<p>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>	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water’s Sustainable Finance Framework • Wessex Water Treasury Policy Review October 2021 	<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> <p>In circumstances where proceeds <i>cannot immediately be allocated</i> to an Eligible Project, unallocated proceeds may be</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>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), and then tracked and managed in accordance with Wessex Water’s Treasury policy.</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 description of the projects and the amounts disbursed, as well as the expected environmental, social and/or sustainable impact.	<p>Discussions with Wessex Water and review of the following documents:</p> <ul style="list-style-type: none"> • Wessex Water’s Sustainable Finance Framework • Annual Reports and Accounts 2021 • Annual Review Summary 2021 • Capital Project Alignment Workbook (Draft) • Interim Financial Information and Report for the six months to 30 September 2021 • APR tables excluding SA-3I-2021 	<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 proportion of proceeds allocated to Eligible Project spend, including the split between financing and refinancing. The report will be issued within one year of issuance of each Sustainable Financing Instrument. Reporting will continue until the debt has reached maturity, or all gross proceeds have been reported as being fully allocated to Eligible Project spend, whichever occurs earlier.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Should there be a material change to the allocation of proceeds, Wessex Water will endeavour to update the allocation reporting periodically.</p> <p>Wessex Water will also provide its investors with information around 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. • Reducing leakage from the network, measured in megalitres per day (Ml/d). • 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). • Smarter Water Catchment Initiatives (number of catchments schemes). • Avoided emissions (tCO₂e) and energy generation from biomethane export. • 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 (total hectares of land enhanced). • Water mains repairs (number of repairs per 1,000km).

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • 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/MI. <p>DNV confirms Wessex Water has set out its intent to seek external verification of the data, for at least the allocation reporting, which is line with the requirements of the ICMA/LMA Principles.</p>