



WHEN TRUST MATTERS



YORKSHIRE WATER SUSTAINABLE FINANCING FRAMEWORK 2023



YorkshireWater

Document title: Second Party Opinion on Yorkshire Water Sustainable Finance Framework 2023

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

YORKSHIRE WATER SUSTAINABLE FINANCE FRAMEWORK 2023

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

Yorkshire Water Services Financing Plc (hereafter referred to as “Yorkshire Water” or the “Company”) is a water and sewerage company, operating in the Yorkshire and Humber Region of England spanning 15,000km² and serving three of the UK’s largest cities (Sheffield, Leeds, Bradford). The company is responsible for the collection, treatment and distribution of clean water, and for the disposal of wastewater of approximately 5 million customers and for 140,000 business premises. The Company is also responsible for the maintenance of essential infrastructure and looks to protect the natural environment.

Yorkshire Water, together with its financing subsidiaries, Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc, published its first Sustainable Finance Framework in 2019. This year the Company has updated its Sustainable Finance Framework (henceforth referred to as the “Framework”) for 2023, to raise debt to support the (re-)financing of a range of environmentally and socially sustainable assets and expenditures of a sustainable nature (see Schedule 1 for further detail). This has been done to better reflect the changes in the wider water industry and the economy; to support the Company’s aim to transition to a more sustainable business model and achieve on its sustainability ambitions; and to align with the recent changes to the International Capital Market Association (ICMA) Green Bond Principles 2021 (GBP) with June 2022 Appendix, Social Bond Principles 2023 (SBP) and the Sustainability Bond Guidelines 2021 (SBG) in addition to the Loan Market Association (LMA) Green Loan Principles 2023 (GLP) and the Social Loan Principles 2023 (SLP).

DNV Business Assurance Services UK Limited (henceforth referred to as “DNV”) has been commissioned by Yorkshire Water to provide an assessment of the eligibility of the Framework. Our methodology to achieve this is described under the ‘Work Undertaken’ section as detailed below. We were not commissioned to provide independent assurance or undertake any other audit activities. No assurance is provided regarding the financial performance of any finance undertaken on the Framework, the value of any investments in the Bonds/Loans, the alignment of the Bonds/Loans with Regulatory requirements, or the long-term environmental/social benefits of the debt raised. Our objective has been to provide an assessment that the debt to be raised against the Framework will support the (re-)financing of assets and expenditures of a sustainable nature, on the basis as that set out below.

Responsibilities of the Management of Yorkshire Water and DNV

The management of Yorkshire 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 Yorkshire Water’s management and other interested stakeholders as to whether the Framework is aligned with the ICMA GBPs 2022, SBPs 2022, SBGs 2021, GLPs 2023 and the SLPs 2023. To assess the eligibility of Sustainable Financing, our assessment is also supplemented with international guidelines and standards, as well as DNV’s own technical expertise. In our work, we have relied solely on the information and the facts presented to us by Yorkshire Water. DNV is not responsible for any aspect of the nominated assets and expenditures referred to in this opinion, and cannot be held liable if the estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Yorkshire Water’s management, and that used as a basis for this assessment, were not correct or complete.

Basis of DNV's opinion

We have adapted our Sustainable Finance Framework eligibility assessment methodology to create a Yorkshire Water-specific, “**Sustainable Finance Framework Eligibility Assessment Protocol**” (henceforth referred to as “Protocol”) – see [Schedule 2](#). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

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

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of sustainable finance must show how the funds raised will be used to finance eligible green, social and sustainable 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 green, social and sustainable debt should outline the process it follows when determining the eligibility of an investment using finance undertaken on the Framework and outline any green/social impact objectives that it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a framework should outline how funds should be tracked within the issuing organisation, that a separate portfolio 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 requirement that at least annual reporting of the use of the proceeds to the investors should be made, and that quantitative and/or qualitative performance indicators should be used, where feasible for both allocation reporting and impact reporting.

Work Undertaken

Our work constituted a high-level review of the information provided to us by Yorkshire 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 that was undertaken to form our opinion included:

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

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

Findings and DNV's Opinion

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

1. Principle One: Use of Proceeds

Under its **Sustainability Finance Framework (the "Framework") 2023**, Yorkshire Water intends to secure funding in different ways to fulfil its financial needs. The Company will allocate an amount equivalent to the net proceeds to (re)-finance the acquisition or improvement of new assets and to cover expenditures related to Yorkshire Water and its business operations.

Yorkshire Water has indicated the financing instruments to be used under the Framework as follows:

- Committed facilities (revolving and term debt from banks and institutional investors);
- Labelled Bonds (Green, Social and Sustainable Bonds);
- Private Placements; and
- Long Funding Finance Leases.

The assets and expenditures to be (re)-financed that form part of Yorkshire Water's Eligible Sustainable Investments, fall under the following Eligible Sustainable Categories:

Green Eligible Categories

- Renewable energy.
- Energy efficiency.
- Pollution prevention and control.
- Environmentally sustainable management of living natural resources and land use.
- Terrestrial and aquatic biodiversity conservation.
- Clean transportation.
- Sustainable water and wastewater management.
- Climate change adaptation.
- Eco-efficient and/or circular economy-adapted products, production techniques and processes.
- Green buildings.

Social Eligible Categories

- Affordable basic infrastructure.
- Access to essential services.
- Affordable housing.
- Employment generation.
- Food security and sustainable food systems.
- Socioeconomic advancement and empowerment.

See [Schedule 1](#) for a detailed summary.

We can also confirm that Yorkshire Water has also detailed in its Framework, an "Excluded Budgetary Category" list, which will apply across the eligible categories above. These are as follows:

- Personal expenditures.
- Financing costs (including costs associated with raising finance).
- Landfill assets and expenditures.
- Yorkshire Water's fossil fuel fleet.
- Assets and expenditures linked to the incineration of waste (this does not exclude activities for converting incinerators and associated assets to Anaerobic Digestion or other renewable energy generation technologies).
- Fines and legal costs.

Yorkshire Water has confirmed that this Framework may be updated in the future to reflect any market updates with regards to the update of relevant standards and guidelines (e.g. the EU Taxonomy)

DNV concludes that the eligible green and social categories as defined above are consistent with the categories as set out by the GBPs, SBPs, GLPs and the SLPs.

2. Principle Two: Process for Project Evaluation and Selection

Yorkshire Water's Framework provides an overview of the governance process. This clearly defines all assets and expenditures submitted for evaluation and selection for financing or re-financing are managed by a committee (the 'Committee'). The Committee includes representatives from Yorkshire Water's Finance and Sustainability functions and is mandated and governed by the Company's own terms of reference meeting that will take place at least once a year. The selection of all eligible assets and expenditures must adhere to the Company's accounting, risk management, procurement and supply chain policies. It is also clearly reported in the Framework that any new or existing assets or expenditures to go into the Eligible Sustainable Portfolio must detail the nature, costs, and benefits of each investment. In addition, a risk assessment of all assets or expenditures to go into the Eligible Sustainable Portfolio will be conducted in accordance with Yorkshire Water's risk management Framework. A summary of this process will be detailed in Yorkshire Water's annual Allocation Report.

The Company has clearly stated in the Framework that any activity that best supports progress on the UN SDGs and the Company's strategic objectives will be prioritised.

Based on the provided information, DNV concludes that the Framework is in line with Yorkshire Water's approach to managing environmental and social sustainability and supports the sustainable development of the sector. The Framework adequately describes the process of project evaluation and selection, and based on the information reviewed, it is in line with the requirements of the GBPs, SBPs, GLPs and SLPs.

3. Principle Three: Management of Proceeds

Yorkshire Water has confirmed that the Treasury team will be responsible for managing the sustainable transactions.

The tracking of the proceeds allocated to the eligible assets and expenditures within the Eligible Sustainable Portfolio, will be supported by an internal tracking and accounting system (an allocation log) ensuring the accuracy of information and the avoidance of double counting. Yorkshire Water's Treasury team will ensure that the total amount represented by the Eligible Sustainable Portfolio exceeds or at least matches the amount of finance raised through the Framework.

All proceeds are to be allocated within 24 months following issuance under the Framework. In the event that the proceeds are unallocated or pending, the Company has confirmed that the net proceeds will be temporarily held or invested in accordance with its internal treasury policy, and put towards sustainable liquid investments, as follows:

- Green, Social or Sustainability bonds issued by Governments and/or Government-related entities with a minimum credit rating of AA/Aa2/AA by all of S&P, Moody's, and Fitch; and
- Bank Green deposits, with the counterparty, size and tenor of deposits governed by Yorkshire Water's internal treasury policy.

DNV has reviewed the evidence supplied by Yorkshire Water and we can confirm that the Company has committed to appropriately managing the proceeds arising from future Sustainable Transactions, and we can confirm that this is in accordance with the criteria as set out by the GBPs, SBPs, GLPs and the SLPs.

4. Principle Four: Reporting

Yorkshire Water has committed to continue reporting in the form of a combined, or a series of reports, on both the allocation and impact of the net proceeds to its investors. In the case that there are material developments, the Company has confirmed that this reporting will take place on an ad hoc basis. This will subsequently be reviewed by an independent third party.

The Allocation Report will detail:

- How much of the financing raised has been allocated and to which sub-portfolio (Social, Green or Sustainable).
- A brief description of assets and expenses (re)financed with the proceeds and selected case studies if applicable.
- The balance of the unallocated proceeds and type of temporary investments; and
- The division of the allocation between new financing and refinancing.

With regards to Impact Reporting, Yorkshire Water has stated that it will measure, wherever feasible, the benefits of the investments and expenditures deriving from each Sustainable Transaction through a wide range of KPIs as listed in the Framework, under their “six capitals”: Financial, Manufactured, Natural, Human, Intellectual and Social. This is detailed further in [Schedule 2](#). Detail on its impact reporting will be captured in its annual “Our Contribution to Yorkshire” Report. For transparency, Yorkshire Water will also communicate both the positive and negative impacts arising from the activities (re)-financed.

DNV concludes that Yorkshire Water has made the appropriate plans to produce reporting on the allocation and environmental and social impacts of its future Sustainable Transactions, in line with the requirements of the GBPs, SBPs, GLPs and the SLPs.

On the basis of the information provided by Yorkshire 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 stated definition of green bonds within the Green Bond Principles, green loans within the Green Loan Principles, social bonds within the Social Bond Principles, social loans within the Social Loan Principles and Sustainability Bonds with the Sustainability Bond Guidelines.

for DNV Business Assurance Services UK Limited

London, 7 November 2023.



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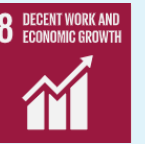
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About DNV



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 PROJECTS TO BE FINANCED UNDER THE FRAMEWORK







Yorkshire Water has confirmed that the proceeds will be used to finance or refinance projects falling under thirteen eligible ICMA and LMA categories, comprising of nine green categories and six social categories. The list of project categories confirmed by Yorkshire Water that fall under the Eligible Green and Social Category are detailed in the table below:

Eligible Green Category	Example projects	Impact Metrics	Sustainable Development Goals (SDG) Alignment
Renewable Energy	Investments towards maintaining and increasing the use of renewable energy: <ul style="list-style-type: none"> The operation of renewable energy assets including anaerobic digestors, biogas CHPs, solar panels, wind and hydro turbines. Expansion of generation capacity, efficiency or capability of current renewable energy assets. New renewable energy infrastructure (including anaerobic digestors, wind and solar). Sourcing Renewable Energy through contractual arrangements including Purchase Power Agreements, electricity on certified zero-carbon tariffs and green gas certificates. 	<ul style="list-style-type: none"> Renewable Energy Generated and Used (GWh) Renewable Energy Generated and Exported (GWh) 	 
Energy Efficiency	Improving energy efficiency through a range of measures: <ul style="list-style-type: none"> Replacing old plant, and machinery with new, more efficient plant and machinery, including pumps. Retrofitting, refurbishing, or upgrading current property, plant, and equipment. Introduction and improvement of monitoring and control systems including the use of smart meters, smart networks, and artificial intelligence. Designing specifications, optioneering and build capital delivery programme. Improvement of fleet and logistics efficiency. 	<ul style="list-style-type: none"> Energy intensity water (kWh per megalitre of water supplied) Energy intensity wastewater (kWh per megalitre of wastewater treated) 	 



<p>Pollution Prevention and Control</p>	<p>Implementing sustainable practices for pollution prevention, transitioning to a net zero operating model, and promoting responsible waste management and reduction:</p> <ul style="list-style-type: none"> Invest in WwTW and sewerage infrastructure to ensure resilience, meet stricter legal standards, and safeguard rivers and coastlines. Expand sewer network capacity and implement measures to minimize pollution from sewer overflows, supporting the growing population and economy. Invest to reduce nuisances caused by their assets, including odour, noise, and files. Reducing emissions by investing in energy efficiency, renewable energy generation, fuel replacement, and innovative asset designs. Collaborate with the value chain to decrease greenhouse gas emissions, including those linked to the company's capital projects and ongoing asset operations. Implement land protection and restoration initiatives to sequester carbon in company's land and catchment areas. 	<ul style="list-style-type: none"> Pollution incidents (No.) Phosphorus released to the environment (t) Net carbon emissions (tCO₂e) Waste diverted from landfill (%) 	 
<p>Environmentally Sustainable Management of Living and Natural Resources and Land Use</p>	<p>Delivering sustainable management of the environment and its resources:</p> <ul style="list-style-type: none"> Protecting and restoring the land catchments that serve as vital sources of Yorkshire's public water supply, with a specific focus on preventing soil erosion and pollutants. Addressing the environmental impacts associated with water abstraction, as identified in the Water Industry National Environment Programme. Implementing initiatives to protect soils and combat the spread of Invasive Non-Native Species (NNS) within catchment areas. Implementing Natural Flood Management (NFM) techniques across the company's own land and collaborating with partners to mitigate downstream flood risks. 	<ul style="list-style-type: none"> Area of land conserved or enhanced (ha) Trees planted per year (No.) Pathways of biosecurity implementation (No.) 	 


<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<p>Conservation, protection, and restoration of water-dependent ecosystems, including, wetlands, rivers, peatlands, and coastal waters in compliance with regulatory obligations and in alignment with broader societal expectations:</p> <ul style="list-style-type: none"> • Meeting requirements under the Water Industry National Environment Programme (WINEP) and Water Industry Strategic Environmental Requirements (WISER) • Protecting and improving Sites of Special Scientific Interest (SSSIs) and other special habitats. • Implementing Fish Passage Programme to restore fish migration pathways, facilitating better spawning opportunities. • Conducting river restoration trials to enhance river ecosystems, extending companies efforts beyond major investments in wastewater treatment plants. • Making investments to minimise nutrient pollution. • Managing woodland areas in accordance with established sustainable forestry management schemes. • Collaborating with partners to conserve and enhance biodiversity throughout the region. 	<ul style="list-style-type: none"> • Length of river improved (km) • Biodiversity units created (No.) • Solutions delivered in partnership with others (No.) 	
<p>Clean Transportation</p>	<p>Transitioning to a fleet with reduced carbon emissions and adopting transportation solutions that decrease overall usage:</p> <ul style="list-style-type: none"> • Shifting vehicle fleet to include electric, biogas, and hydrogen-powered vehicles. • Allocating resources to develop infrastructure that facilitates low-carbon transportation, such as installing electric vehicle charging stations. • Making investments in innovative technologies that minimize the need for travel. • Enhancing the efficiency of fleet and logistics operations. • Collaborating with the value chain to promote the adoption of clean transportation practices, including for capital projects 	<ul style="list-style-type: none"> • NO_x emissions (t) • PM_{2.5} emissions (t) • Net carbon emissions (tCO₂e) 	

	<p>and ongoing asset operations of the company where applicable.</p>		
<p>Sustainable Water and Wastewater Management</p>	<p>Investing in sustainable water and wastewater management while reducing both company's own and customer consumption of mains water:</p> <ul style="list-style-type: none"> • Maintaining and improving water and wastewater assets and services to ensure the provision of safe water and sanitation. • Investing in initiatives to reduce leakage and bursts within company network and customer pipelines. • Collaborating with company business and non-household customers to encourage the use of non-potable water sources, especially for processes that do not require potable water standards, such as cooling and washing. • Working with customers and other stakeholders to manage and decrease water consumption, as well as promoting community participation in water and sanitation management improvements. • Implementing water efficiency measures at companies' operational sites and offices, such as minimising the loss of backwash water in treatment processes and replacing potable water usage in wastewater treatment with lower-grade water sources. • Developing infrastructure to enhance water recycling and safe reuse practices. • Ensuring sustainable water abstraction practices and implementing integrated water resources and catchment management approaches. 	<ul style="list-style-type: none"> • Water abstraction (MI) • Leakage (MI/day) • Average water consumption per head of population (litres/person/day) 	 








<p>Climate change Adaptation</p>	<p>Enhancing resilience and adaptability to climate-related hazards:</p> <ul style="list-style-type: none"> Investing in company's assets to safeguard them from the impacts of extreme weather, such as flooding. Collaborating with various partners across Yorkshire to implement flood risk management programs and enhance the resilience of communities at high risk of flooding. This includes initiatives like company's "living with and connected by water" partnerships. Implementing Natural Flood Management (NFM) techniques and Sustainable Urban Drainage Systems (SUDS) on company's land and partner properties to mitigate flood risks in downstream communities. Anticipating and responding to more intense storms and extended periods of heavy rainfall by developing and implementing comprehensive drainage and wastewater management strategies. Actively pursuing the actions outlined in our latest Adaptation Report, which is a crucial component of the UK's climate risk assessment and policy framework under the Climate Change Act of 2008. Investing in smart networks and data analytics to enhance the resilience of company's infrastructure in the face of climate-related shocks and stresses. 	<ul style="list-style-type: none"> Risk of severe restrictions in a drought (%) Risk of sewer flooding in a storm (%) 	  
<p>Eco-efficient and Circular Economy Adapted products, production techniques and processes</p>	<p>Minimising waste production by strategies such as prevention, reduction, recycling, and reuse, while adopting the fundamental principles of the circular economy:</p> <ul style="list-style-type: none"> Making investments to extract value from waste and underutilised resources within company and partner businesses, such as grit and screenings, fats, oils, and greases, water and wastewater sludges, lost heat, construction waste, and unused land. Collaborating with company's business and non-household customers to encourage the use of non-potable water sources, particularly for cooling and washing processes where potable water standards are unnecessary. Establishing infrastructure to enhance water recycling and safe reuse practices. 	<ul style="list-style-type: none"> Value created from waste or underused resources (£m) Waste diverted from landfill (%) 	  

	<ul style="list-style-type: none"> • Extending the lifespan of assets, reducing the need for asset replacements, and minimising associated waste, for example, through asset re-lifting and pipe re-lining. • Investing in opportunities to utilise heat and cooling services that are by-products of our assets and processes. • Developing and fostering partnerships to achieve more circular and sustainable outcomes, employing systems thinking and integrated catchment management approaches. 		
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Eligible Social Category	Example projects	Target Population	Impact Metrics	SDG Alignment
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Maintaining and enhancing water assets and services to ensure safe, reliable, and resilient infrastructure to provide Yorkshire’s communities with quality access to safe water: <ul style="list-style-type: none"> ○ Investing at water treatment works (WTW) and in Yorkshire Water’s water distribution network. ○ Replacing supply pipes to reduce health risk and water leakage. ○ Proactive maintenance on Yorkshire Water’s mains to protect quality water supplies. • Maintaining and enhancing wastewater assets and services to provide Yorkshire’s communities with quality access to sustainable, resilient, and effective sanitation: <ul style="list-style-type: none"> ○ Investing in wastewater treatment works (WwTW) and sewerage infrastructure, aiming to ensure resilience, adequate capacity for a growing 	<ul style="list-style-type: none"> • Vulnerable groups such as those experiencing financial vulnerability (which includes those below the poverty line) 	<ul style="list-style-type: none"> • Average water supply interruption length (mins) • Water quality compliance (CRI) (score) • Number of customers provided with financial support 	 

	<p>population, and compliance with stricter legal standards for the protection of rivers and coasts.</p> <ul style="list-style-type: none"> ○ Increasing the capacity of the sewer network to accommodate the growing population and economy to reduce the risk of sewer flooding in homes and public spaces, ensuring the safety and well-being of the community. ● Supporting financially vulnerable customers to access Yorkshire Water's services: <ul style="list-style-type: none"> ○ Keeping bills affordable and promoting financial assistance to customers who are struggling to pay their water bill through supporting tariffs. 			
<p>Access to Essential Services</p>	<ul style="list-style-type: none"> ● Ensuring Financially vulnerable customers can access essential services: <ul style="list-style-type: none"> ○ Providing financial support to those struggling to pay, through financial packages including Yorkshire Water's social tariff. ○ Reducing own and customer water consumption, including helping businesses switch to non-potable sources of water. ○ Providing tailored services for those who need them, including Priority Services Register, Dementia Friends and website accessibility. ○ Investing to keep bills low, including recovering unpaid 	<ul style="list-style-type: none"> ● Vulnerable groups such as those experiencing financial or health vulnerability or the elderly ● Undereducated ● Underemployed 	<ul style="list-style-type: none"> ● Number of customers provided with financial support ● Affordability of bills (%) ● Number of participants in educational programmes ● Number of Visits involving exercise to Yorkshire Water sites 	

	<p>debt, investing in productivity levels, renewable energy and energy efficiency measures, innovation and creating value from waste and underused resources.</p> <ul style="list-style-type: none"> • Investing in the long-term availability of skills and knowledge, including: <ul style="list-style-type: none"> ○ Education about water and our services to youth and adults, to improve knowledge, technical skills and employability and promote access to support services to the diverse communities. ○ Inclusive job creation, apprenticeships and recruitment schemes, and Industrial Cadets work experience programme which offers five days of work experience to young people aged 16-18. • Supporting Vulnerable groups at risk of poor health: <ul style="list-style-type: none"> ○ Promoting health and well-being in our communities including through the provision of recreation services on land. 			
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<p>Employment Generation</p>	<ul style="list-style-type: none"> The provision of employment, training, and development opportunities: <ul style="list-style-type: none"> Employing colleagues across the region and indirectly generating many more jobs through supply chain partners. Offering performance management and training opportunities to all colleagues to support their career development. Investing in a pipeline of future talent through our apprenticeship and graduate development programmes. 	<ul style="list-style-type: none"> Undereducated Underemployed 	<ul style="list-style-type: none"> Number of new apprenticeships Number of external hires Number of total colleagues 	 
<p>Socioeconomic Advancement and Empowerment</p>	<ul style="list-style-type: none"> Supporting communities through the provision of education, employment, training and development: <ul style="list-style-type: none"> Educating communities on water and water saving. The primary focus of Yorkshire Water's specialised education centres is to cater to Key Stage 2 students but are also open to visitors from across society. Providing inclusive job creation, apprenticeships, recruitment schemes, and Yorkshire Water's Industrial Cadets work experience programme. Supporting marginalised groups: <ul style="list-style-type: none"> Improving equity, diversity and inclusivity across genders, LGBT+, race, disability, social background and other groups. Supporting communities vulnerable to flooding: <ul style="list-style-type: none"> Building the resilience of those most at risk of flooding to 	<ul style="list-style-type: none"> Undereducated Underemployed Marginalised groups Vulnerable groups such as those to have experienced flooding 	<ul style="list-style-type: none"> Number of participants in educational programmes Number of new apprenticeships Percentage of colleagues from marginalised groups Percentage of risk of sewer flooding in a storm 	    

	reduce exposure and vulnerability to extreme weather events, such as Yorkshire Water's Living with Water and Connected by Water partnerships.			
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SCHEDULE 2: YORKSHIRE WATER SUSTAINABLE FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	The Green/Social/Sustainable Bond/Loan framework should make clear what financial instruments are to be defined as eligible for Green/Social/Sustainable financing.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Water Sustainable Finance Framework 2023. 	<p>DNV has reviewed the Sustainable Finance Framework, and the accompanying evidence provided, and we can confirm that Yorkshire Water will issue various funding instruments under the Framework, but not limited to:</p> <ul style="list-style-type: none"> Committed facilities (which include revolving and term debt from banks and institutional investors); Bonds; Private Placements; and Long Funding Finance Leases. <p>Yorkshire Water has also stated that it plans to allocate the entire proceeds within the 24 months following the issuance, according to the Framework.</p>
1b	Green/Social Project Categories	The cornerstone of a Green/Social/Sustainability finance framework is the utilisation of the proceeds which should be appropriately described in the legal documentation for security.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Water Sustainable Finance Framework 2023 	<p>Yorkshire Water will utilise this Framework to secure financing through different means to fulfil funding needs. An amount equal to the net proceeds obtained from the financing obtained under the Framework will be assigned to fund the acquisition of new assets and expenditures, and/or the refinancing of existing assets and expenditures of Yorkshire Water.</p> <p>The eligible green/social projects to be financed are as follows:</p> <p>Green Categories:</p> <ul style="list-style-type: none"> Renewable energy. Energy efficiency. Pollution prevention and control.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • Environmentally sustainable management of living natural resources and land use. • Terrestrial and aquatic biodiversity conservation • Clean Transportation • Sustainable water and wastewater management • Climate change adaption • Eco-efficient and/or circular economy-adapted products, production techniques and processes <p>Social Categories:</p> <ul style="list-style-type: none"> • Affordable basic infrastructure • Access to essential services • Employment generation • Socioeconomic advancement and empowerment <p>DNV has reviewed the evidence provided and we can confirm that the projects to be financed fall under the eligible ICMA/LMA green/social categories.</p>
1c	Environmental/ Social benefits	All designated Green/Social Project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Yorkshire Water Sustainable Finance Framework 2023 	<p>Based on the evidence reviewed, it gives DNV the opinion that the green/social project categories will provide clear environmental benefits across a range of relevant areas. This includes the operational business model of Yorkshire Water and the community it serves, which is important to the company. Its expenditure represents more than just investment in infrastructure and core services such as protecting customers' health and wellbeing, supporting the economy and safeguarding the natural environment.</p> <p>DNV can confirm that finance being undertaken on this framework will have environmental and/or social benefits, and that these benefits will be tracked and reported on an annual basis as outlined in section 4a of Schedule 2.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1d	Target Population	All designated Social Projects should provide the social benefits outlined in 1c to specific target populations.	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Water Sustainable Finance Framework 2023 	<p>The proceeds of finance will be targeting the following;</p> <ul style="list-style-type: none"> Vulnerable groups, such as: <ul style="list-style-type: none"> Those experiencing financial vulnerability through keeping bills affordable and promoting financial assistance for those at risk of poor health by promoting health and well-being including through the provision of recreation services. Undereducated communities - by investing in the long-term availability of skills and knowledge including the provision of inclusive education about water and Yorkshire Water's services. Unemployed communities – by providing employment opportunities and investing in a pipeline of future talent programmes. Marginalised groups - by supporting the improvements of equity, diversity and inclusivity across genders, sexuality, race, disability, and social background. <p>DNV confirms that the target populations are consistent with the target populations as outlined in the SBPs.</p>

2. Process for Project Evaluation and Selection

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green/Social/Sustainable Finance Framework should outline the decision-making process it follows to determine the eligibility of projects using proceeds.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p>	DNV can confirm Yorkshire Water has specified the eligibility criteria for each type of green and social project to be covered under the Use of Proceeds section of its Framework.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green/Social Projects categories identified in the Principles. • The criteria making the projects eligible for using the proceeds; and • The environmental sustainability objectives. 	<ul style="list-style-type: none"> • Yorkshire Water Sustainable Finance Framework 2023. 	<p>Yorkshire Water has confirmed that there is a process in place for the evaluation and selection of eligible projects. As with all expenditures, projects will be evaluated following Yorkshire Water’s accounting, risk and management procurement policies. This includes a six-step process as detailed below:</p> <ol style="list-style-type: none"> 1. Setting objectives 2. Identifying risks 3. Measuring the risks 4. Managing the risk 5. Monitoring the effectiveness of controls 6. Reporting to the Risk Committee and Board, on a monthly basis. <p>Any potential, eligible expenditures to go into the Eligible Sustainable Portfolio will specifically need approval from Committee, that includes representatives from Yorkshire Water’s Finance and Sustainability functions.</p> <p>We can conclude that based on the evidence provided, Yorkshire Water has clearly outlined the decision-making process it takes to determine the eligibility of any green/social asset and expenditure to avoid double counting.</p>
2b	Issuer’s environmental and social and governance framework	In addition to the information disclosed by an issuer on its Green/Social/Sustainability framework process, criteria and assurances, Green Finance investors/lenders may also take into consideration the quality of the issuer’s overall framework and performance regarding social and environmental sustainability.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Yorkshire Water Sustainable Finance Framework 2023 • “Our 10 year strategy”, Yorkshire Water Sustainability Strategy 2023 	<p>Based on the evidence reviewed, we can confirm that Yorkshire Water has made a commitment to improving its sustainability performance across its operations. This includes a reliable service for customers while safeguarding the environment and ensuring the safety and well-being of colleagues.</p> <p>DNV concludes that based on the information provided, the objective of the Framework aligns with Yorkshire Water’s approach to managing environmental/social sustainability and supports the sustainable development of the sector. As such, Yorkshire Water is prioritising pollution prevention, reducing</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>water consumption and leakage and achieving Net Zero emissions.</p> <p>The company is also committed to working with its partners across the value chain, as well as focusing on its own operations and using sustainable resources to achieve the above reductions.</p> <p>Yorkshire Water’s target is for its global supply chain to share a commitment to the continuous improvement of the water environment and wider sustainable development.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green/Social/Sustainability instrument 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 Projects.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Sustainability Finance Framework 2023. Yorkshire Water Internal Treasury Policy – Section 7: Investment Management. 	<p>Yorkshire Water has confirmed that the “Treasury Team” will manage the proceeds from any sustainable finance transaction.</p> <p>DNV concludes that the framework outlines an appropriate process for the tracking of funds and is attested to by a formal internal process.</p> <p>Yorkshire Water has confirmed that they will maintain an allocation log to ensure debt is not allocated to the same expenditure more than once and hence guarding against double counting.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3b	Tracking procedure	So long as the finance is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Sustainability Finance Framework 2023. 	<p>Yorkshire Water's Treasury team will guarantee that the value of the Eligible Sustainable Portfolio will at least match the amount of financing obtained through the Framework.</p> <p>As a general practice, Yorkshire Water aims to allocate the entire sum of funds within the 24-month period after the issuance of the Framework.</p> <p>DNV concludes there is a clear process in place for the tracking of the balance of the proceeds which accounts for any disbursements.</p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Green 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 interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Sustainability Finance Framework 2023 Yorkshire Water Internal Treasury Policy – Section 7: Investment Management. 	<p>Where possible and practicable, the company has stated in its Framework, that any unallocated net proceeds will be invested in the following ways:</p> <ul style="list-style-type: none"> Green, Social or Sustainability Bonds issued by Governments and/or Government-related entities with a minimum credit rating of AA, Aa2 and AA by each of S&P, Moody's and Fitch respectively; and as Bank Green deposits with the counterparty, size, and tenor of deposits governed by the Company's internal Treasury Policy. <p>We can conclude that Yorkshire Water has appropriately described how it intends to hold the balance of unallocated proceeds.</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 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 environmentally sustainable impact.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Yorkshire Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Yorkshire Sustainability Finance Framework 2023. 	<p>Yorkshire Water intends to disclose to investors details about the assets and expenses that have been financed or refinanced through the Framework. This includes providing information about the specific amounts of funds allocated and the estimated impacts of these investments. The disclosure will be presented in either a consolidated report, or a set of reports.</p> <p>With regards to Allocation Reporting, we can confirm that Yorkshire Water will make available the below information to its investors each year, or on an ad hoc basis in the case of any material developments:</p> <ul style="list-style-type: none"> List of eligible projects financed; Aggregated amount of allocation of the net proceeds in the Eligible Green/Social Category; Balance of unallocated proceeds; and Share of new financing and refinancing for the Eligible Green/Social Category. <p>With regards to Impact Reporting, Yorkshire Water has also stated it will report on the effects of Eligible Sustainable Portfolio. This report evaluates the consequences of Yorkshire Water's business operations and investments using six capitals methodology (financial, manufactured, natural, human, intellectual and social). It will present a variety of performance indicators for each capital, demonstrating the extent and state of assets, as well as the positive and negative outcomes of activities.</p> <p>Yorkshire Water has indicated a range of potential impact metrics that may be reported on, for each eligible activity.</p> <p>Green Projects:</p> <ul style="list-style-type: none"> Renewable energy <ul style="list-style-type: none"> Renewable Energy Generated and used (GWh)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> ○ Renewable energy generated and exported (GWh) ● Energy efficiency <ul style="list-style-type: none"> ○ Energy intensity water (kWh per megalitre of water supplied) ○ Energy intensity wastewater (kWh per megalitre of wastewater treated) ● Pollution prevention and control <ul style="list-style-type: none"> ○ Pollution incidents (No.) ○ Phosphorus released to the environment (t) ○ Net carbon emissions (tCO_{2e}) ○ Waste diverted from landfill (%) ● Environmentally sustainable management of living natural resources and land use. <ul style="list-style-type: none"> ○ Area of land conserved or enhanced (ha) ○ Trees planted per year (No.) ○ Pathways of biosecurity implementation (No.) ● Terrestrial and aquatic biodiversity conservation <ul style="list-style-type: none"> ○ Length of river improved (km) ○ Biodiversity units created (No.) ○ Solutions delivered in partnership with others (No.) ● Clean Transportation <ul style="list-style-type: none"> ○ NO_x emissions (t) ○ PM_{2.5} emissions (t) ○ Net carbon emissions (tCO_{2e}) ● Sustainable water and wastewater management <ul style="list-style-type: none"> ○ Water abstraction (Ml) ○ Leakage (Ml/day) ○ Average water consumption per head of population (litres/person/day) ● Climate change adaption <ul style="list-style-type: none"> ○ Risk of severe restrictions in a drought (%)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> ○ Risk of sewer flooding in a storm (%) ● Eco-efficient and/or circular economy-adapted products, production techniques and processes: <ul style="list-style-type: none"> ○ Value created from waste or underused resources (£m) ○ Waste diverted from landfill (%) Social Projects: <ul style="list-style-type: none"> ● Affordable basic infrastructure: <ul style="list-style-type: none"> ○ Average water supply interruption length (mins) ○ Water quality compliance (CRI) (score) ○ Customers provided with financial support (No.) ● Access to essential services: <ul style="list-style-type: none"> ○ Customers provided with financial support (No.) ○ Affordability of bills (%) ○ Participants in educational programmes (No.) ○ Visits involving exercise to Yorkshire Water sites (No.) ○ ● Employment generation: <ul style="list-style-type: none"> ○ New apprenticeships (No.) ○ External hires (No.) ○ Total colleagues (No.) ● Socioeconomic advancement and empowerment: <ul style="list-style-type: none"> ○ Participants in educational programmes (No.) ○ New apprenticeships (No.) ○ Percentage of colleagues from marginalised groups (%) ○ Risk of sewer flooding in a storm (%) <p>DNV can confirm that Yorkshire Water has committed to reporting on the green, social, and sustainability impacts of the assets and expenditures (re-)financed through the framework, and that reporting</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				is in line with the requirements as set out under the GBPs, the SBPs, the GLPs and the SLPs.