



# AFFINITY WATER'S AFFINITY WATER'S AFW15 GREEN FINANCE FRAMEWORK 2025

# Affinity Water

**Document title:** Second Party Opinion on Affinity Water's Affinity Water's AFW15 Green Finance Framework 2025

**Prepared by:** DNV Business Assurance Services UK Limited

**Location:** London, U.K.

**Date:** 27 February 2025

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

## AFFINITY WATER'S AFW15 GREEN FINANCE FRAMEWORK 2025

### DNV INDEPENDENT ASSESSMENT

#### Scope and Objectives

Affinity Water Limited (hereafter "Affinity Water" or the "Company") is the UK's largest 'water only' company, supplying clean water services for over 170 years. As of March 2024, Affinity Water supplies c.950 million litres of water per day on average to c.3.9 million customers across three supply regions in the Southeast of England. Within the water supply area spanning 4,500km<sup>2</sup>, the Company also owns and manages its water assets and network.

Affinity Water has outlined four long-term ambitions focusing on the environment, customers, resilience and communities. As part of its environmental commitment, the company aims to achieve net zero greenhouse gas emissions for operational emissions by 2030 (encompassing scope 1, 2 and 3) alongside embedded carbon by 2045. This is part of a wider collective pledge made in 2019 by all UK water companies to achieve Net Zero by 2030. In addition to this, under the environmental pillar, Affinity Water aims to deliver a net gain in natural capital and end unsustainable abstraction from chalk groundwater sources.

To achieve this commitment, the Company has developed a Net Zero strategy to be updated over 2025, with additional plans for an extensive 5-year capital programme over the 2025-2030 period and associated targets. Affinity Water is also committed to signing up to the Carbon Disclosure Project (CDP) and the Task Force on Climate related Financial Disclosures (TCFD) in 2025.

In line with its strategic and sustainability priorities, Affinity Water together with its subsidiaries, Affinity Water Finance PLC and Affinity Water Finance (2004) PLC, has developed a Green Finance Framework (the "Framework") under which it can issue Green Funding Instruments (i.e. green private placements (including US private instruments); (green bonds; green loans) to support its environmental objectives. As such, DNV Business Assurance Services UK Limited ("DNV") has been commissioned by Affinity Water to provide a review of the AFW15 Green Finance Framework (hereafter "The Framework"), against the International Capital Market Association ("ICMA") Green Bond Principles 2021 with June 2022 Appendix 1 ("GBP") and the Loan Market Association ("LMA") Green Loan Principles 2023 ("GLP").

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 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 set out below.

#### Responsibilities of the Management of Affinity Water and DNV

The management of Affinity Water has provided the information used by DNV during the delivery of this review. Our statement represents an independent opinion that is intended to inform Affinity Water's interested stakeholders, such as investors, as to whether the Framework is aligned with the ICMA GBPs and the LMA GLPs. DNV's assessment is also supplemented with DNV's own technical expertise, to assess the sustainability eligibility put forward in this Framework.

In our work we have relied on the information and the facts presented to us by Affinity 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, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Affinity 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 an Affinity Water-specific Green Finance Framework Eligibility Assessment Protocol (hereafter "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion.

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

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

## Work undertaken.

Our work has constituted a high-level review of the available information provided to us by Affinity 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 an Affinity Water-specific Protocol adapted to the purpose of the Framework, as described above;
- Assessment of the documentary evidence provided by Affinity Water on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with Affinity 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 summarised below with further detail provided in [Schedule 2](#):

## 1. Principle One: Use of Proceeds

Affinity Water has confirmed that it will use net proceeds from the issuances of Green Financing Instruments to finance or refinance, in part or in whole, Eligible Green Projects. These instruments include but are not limited to Green Private Placements, Green Bonds and Green Loans.

Eligible Green Projects are set out to deliver positive environmental benefits in line with Affinity Water's ESG strategy and wider sustainability commitments. Eligible Green Projects that fall within the relevant Green Categories as detailed below:

### Eligible Green Categories:

- Sustainable water and wastewater management
- Renewable energy
- Clean transportation
- Terrestrial and aquatic biodiversity conservation
- Energy efficiency

Within the Framework, Affinity Water has provided example activities which are to be considered eligible within each category, which can be found in [Schedule 1](#) of this opinion. The Eligible Project Categories have also been mapped to the applicable UN Sustainable Development Goals (SDGs) which it contributes towards, specifically SDG 6 (Clean Water and Sanitation), SDG 7 (Renewable Energy), SDG 12 (Sustainable Cities and Communities) and SDG 14 (Life Below Water).

DNV concludes that the Eligible Green Categories as described within the Framework and the performance criteria defined within, are consistent with those listed in the GBPs and GLPs and that such projects will provide clear environmental benefits.

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

DNV confirms that Affinity Water has a clear structure in place for evaluating and selecting Eligible Green Projects, whereby Eligible Projects must fall under one of the Green Categories and meet the respective criteria as detailed in [Schedule 1](#) of this opinion.

The Green Finance Committee (hereafter "Committee") is responsible for the Framework as well as the evaluation and selection of Eligible Green Projects. It is composed of the Chief Financial Officer, Head of Corporate Finance and Director of Regulation and Strategy as well as specialists from sustainability, capital delivery, operations and treasury teams as and when required. The Committee meets annually to perform its duties and is overseen by the Board who are responsible for final decision making.

The Committee is responsible for ensuring allocations are aligned with the company's environmental policies, regularly reviewing the register of Eligible Projects maintained by the Treasury team and approving changes to the register, i.e. if projects are no longer deemed to meet the eligibility criteria for example.

DNV concludes that Affinity Water has appropriately described the process for project evaluation and selection of Eligible Green Projects and related governance structures. DNV can also confirm this is in line with the requirements as listed under the GBPs and GLPs.

## 3. Principle Three: Management of Proceeds

The management of net proceeds from issuances of Green Financing Instruments used to finance and/ or refinance Eligible Green Projects, will be managed by Affinity Water's Group Treasury function.

To ensure appropriate tracking of the net proceeds, the Treasury function maintains an internal register, where the proceeds' amount will be reduced to an amount equivalent to the investments and disbursements made towards Eligible Green Projects. Associated investments will be recorded in accounting systems. Additionally, the Committee will maintain oversight of the register annually.

In instances where net proceeds cannot immediately be allocated to projects, the Company may place these in deposits and money market funds whilst ensuring sufficient liquidity at all times for Eligible Green Projects.

DNV can conclude that Affinity Water is committed to appropriately managing the proceeds arising from issuances of Green Financing Instruments, and this is in line with the requirements of the GBPs and GLPs.

#### **4. Principle Four: Reporting**

DNV can confirm that Affinity Water has committed to publish allocation and impact reporting on its website on an annual basis, within 12 months of the date of any issuance until full allocation.

As part of the annual allocation reporting Affinity Water will outline the Green Projects financed, including a short description and case studies where possible. The report will also include an outline of the total allocation of proceeds granted to Eligible Green Projects, the split between financing and refinancing and information on how unallocated proceeds are being held.

For Impact Reporting, Affinity Water has confirmed that it will align with the ICMA Harmonised Framework for Impact Reporting (2024) on a best-efforts basis. Within the Framework the Company also lists various examples of impact metrics for each Eligible Green Category, to be considered for impact reporting. These include:

- Reduction in leakages (megalitres/day)
- Greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e or intensity figures)
- Total area of active Catchment Management (hectares/yr)
- Energy saved from supply automation (kWh/m<sup>3</sup>)

More details can be found in [Schedule 2](#) of this opinion.

DNV concludes that Affinity Water has made appropriate plans to produce reporting on the allocation of proceeds, and on the environmental impact of Green Projects, which is in line with the requirements of the GBPs and GLPs.

On the basis of the information provided by Affinity 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 GBPs and GLPs.

**for DNV Business Assurance Services UK Limited**

London, 27 February 2025

A handwritten signature in black ink, appearing to read "Zohrah Yaqub".

**Zohrah Yaqub**  
Senior Consultant and Project Manager  
DNV – Business Assurance

A handwritten signature in black ink, appearing to read "Rachel Lock".

**Rachel Lock**  
Head of SCPA UK  
DNV – Business Assurance


**About DNV**




Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 14,800 professionals are dedicated to helping customers make the world safer, smarter and greener.


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

Affinity Water has listed its Eligible Project Categories, with descriptions of the respective activities to be (re-)financed. The Company has also mapped out alignment to the relevant UN Sustainable Development Goals (SDGs).

ICMA / LMA Green Project Category	Description of Example Eligible Projects to be Financed	UN SDG Alignment
<p><b>Sustainable Water and Wastewater Management</b></p>	<p><b>Treatment investment</b> – Expenditure related to maintaining and upgrading water treatment assets and investing in new assets to reduce unsustainable abstraction.</p> <p><b>Leakage reduction</b> – Expenditure aimed at finding and fixing leaks or future potential leaks.</p> <p><b>Sustainable abstraction</b> - Projects designed to provide sustainable water solutions for future generations including expenditure which maintain, enhance and upgrade Affinity Water’s water network</p> <p>Examples of eligible activities include:</p> <ul style="list-style-type: none"> <li>• Schemes designed to address the water imbalance between water abundant areas and water stressed areas</li> <li>• Expenditure designed to reduce abstraction from delicate and sensitive water ecosystems such as Affinity Water’s rare chalk streams.</li> </ul> <p><b>Environmental monitoring</b> – collecting field data to understand the impact of Affinity Water’s abstraction.</p> <p>Examples of eligible activities include:</p> <ul style="list-style-type: none"> <li>• Installation and maintenance of data loggers in river systems</li> <li>• Water sampling and testing</li> </ul> <p><b>Demand management</b> – Expenditure aimed at reducing water usage in the community.</p>	

	<p>Eligible expenditure includes:</p> <ul style="list-style-type: none"> <li>• Education campaigns</li> <li>• Home water efficiency checks</li> <li>• Issuing water saving devices</li> <li>• Universal metering including the installation of Smart Meters.</li> </ul>	
<b>Renewable Energy</b>	<p><b>Renewable Energy</b> - Expenditure related to increasing Affinity Water's ability to generate energy from renewable sources such as investments in Solar PV technology.</p>	
<b>Clean Transportation</b>	<p><b>Carbon Transition</b> - Expenditure related to reducing Affinity Water's carbon footprint including investments in a zero-carbon fleet and sustainable carbon management.</p> <p>Eligible Expenditure includes:</p> <ul style="list-style-type: none"> <li>• Operational Fleet Electrification</li> <li>• Installation of EV charging points</li> </ul>	
<b>Terrestrial and Aquatic Biodiversity Conservation</b>	<p><b>River restoration</b> – Expenditure aimed at re-naturalising river channels to improve the health of the river, its ecosystem and associated biodiversity.</p> <p>Examples of eligible activities include:</p> <ul style="list-style-type: none"> <li>• Customer focused education campaigns</li> <li>• Revitalising Affinity Water's rare chalk streams including installation of fencing and livestock crossing points</li> </ul>	



	<ul style="list-style-type: none"> <li>Improving flow variation in Affinity Water’s river systems to cope with natural changes in flow changes such as narrowing river channels, bypassing obstacles and creating meanders.</li> </ul> <p><b>Biodiversity, Species and Habitat Management</b> - expenditures related to ensuring that biodiversity within Affinity Water’s catchment area is in a better position than originally found.</p> <p>Eligible activities include:</p> <ul style="list-style-type: none"> <li>Investment in technology and Ecology surveys to monitor the health and wellbeing of rare fauna and flora in Affinity Water’s catchment area</li> <li>Supporting species protected by law such as barn owls and bats by building bird and bat boxes in Affinity Water’s supply area</li> <li>Preventing the introduction and spread of Invasive Non-Native Species (INNS) around Affinity Water’s river systems via partnerships with local organisation and biosecurity initiatives to prevent INNS.</li> </ul>	
<p><b>Energy Efficiency</b></p>	<p><b>Energy Efficiency</b> - Investments and/or expenditures relating to improvement in the energy efficiency of Affinity Water.</p> <p>Examples of eligible activities include:</p> <ul style="list-style-type: none"> <li>Targeted pump and borehole replacements</li> <li>Employee education and behavioural change campaigns including the dedicated energy saving app</li> <li>Data driven systems and process optimisation</li> <li>Upgrading Affinity Water’s office environment management systems</li> <li>Investments in technologies to decrease Affinity Water’s energy use.</li> </ul>	

## SCHEDULE 2: AFFINITY WATER-SPECIFIC GREEN FINANCE FRAMEWORK ASSESSMENT PROTOCOL

### 1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	The Green Finance Framework should make clear what financial instruments are to be defined as eligible for green financing.	In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water: <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	The Framework outlines the expected Green Financing Instruments to be issued, including but not limited to: <ul style="list-style-type: none"> <li>Green Private Placements (including US Private Placements)</li> <li>Green Bonds</li> <li>Green Loans.</li> </ul> <p>DNV can confirm that the Company has adequately outlined the types of eligible Green Financing Instruments to be issued and that these will need to be further assessed on an individual basis.</p>
1b	Green Project Categories	The cornerstone of a Green Bond/ Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.	In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water: <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	Within the Framework, DNV can confirm that Affinity Water appropriately describes the utilisation of proceeds, the Eligible Green Project categories to be financed or refinanced in part or in whole, alongside examples of eligible activities as indicated in <a href="#">Schedule 1</a> . <p>The Eligible Green categories include:</p> <ul style="list-style-type: none"> <li>Sustainable Water and Wastewater Management</li> <li>Renewable Energy</li> <li>Clean Transportation</li> <li>Terrestrial and Aquatic Biodiversity Conservation</li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> <li>Energy Efficiency.</li> </ul> <p>DNV can confirm that an amount equal to the net proceeds from the issuance of the Green Finance Instruments will be allocated to Eligible Green Projects by Affinity Water, within a look-back period of 24 months before, or a look-forward period of 24 months after the date of issuance.</p> <p>DNV can also confirm that intangible assets such as Research &amp; Development or education in support of the Eligible Green Project categories are eligible under the Framework, given clear environmental benefits follow.</p> <p>DNV concludes that the Framework appropriately describes the proposed utilisation of proceeds, noting that the specificities of each issuance will need to be further assessed on an individual basis to ensure alignment with the Framework.</p>
1c	Green benefits	All designated Green Project categories should provide clear environmentally sustainable benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> <li>Affinity Water Environmental Policy 2023 (<a href="#">link</a>)</li> <li>Affinity Water's Annual Report and Financial Statements 2024 (<a href="#">link</a>)</li> </ul>	<p>Affinity Water considers environmental sustainability as central to its operations as a water supplier. In particular, the Company has pledged a commitment to move towards its sustainability targets, one of which include achieving net zero carbon emissions by 2030 across a range of operational emissions, encompassing scope 1, 2 and 3.</p> <p>To support its commitment and strategic and sustainability priorities, the Framework outlines the overarching environmental, benefits that will be realised.</p> <p>Additionally, the Company has demonstrated its commitment to working towards these environmental benefits and specifies</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> <li>Affinity Water Climate Change Adaptation Report 2024 (<a href="#">link</a>)</li> </ul>	<p>which of the UN SDGs the proposed Eligible Green Projects will contribute towards, i.e.:</p> <ul style="list-style-type: none"> <li><a href="#">Goal #6</a> (Clean Water and Sanitation)</li> <li><a href="#">Goal #7</a> (Affordable &amp; Clean Energy)</li> <li><a href="#">Goal #11</a> (Sustainable Cities &amp; Communities)</li> <li><a href="#">Goal #14</a> (Life Before Water).</li> </ul> <p>The specific quantifiable and qualitative benefits (where relevant) of each issuance will need to be agreed on a case-by-case basis and will be subject to further assessment.</p> <p>Affinity Water has also outlined potential KPIs and reporting metrics to demonstrate the impact from the different projects that are financed, as detailed in Section <a href="#">4a of Schedule 2</a>.</p>

## 2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green Bond/ Loan should outline the decision-making process it follows to determine the eligibility of projects using Bond/ Loan proceeds.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	<p>DNV confirms that the Company has reported in the Framework, a clear management structure in place to select and evaluate the Eligible Green Projects that it will finance.</p> <p>Operating in a regulated industry, Affinity Water have established clear practices currently in place, particularly around the oversight of the evaluation and selection of the Eligible Green Projects.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>To enable this, Affinity Water have established the 'Green Finance Committee' who meet annually, consisting of the Chief Finance Officer, Head of Corporate Finance and Director of Regulation and Strategy alongside specialist representatives as required from sustainability, capital delivery, operations and treasury teams as and when required. Final decisions regarding Eligible Project selection are made by the Board.</p> <p>The responsibilities of the Green Finance Committee also include the following:</p> <ul style="list-style-type: none"> <li>• Ensuring net proceed allocations are aligned with the company's environmental policies.</li> <li>• Reviewing the register of Eligible Projects, which is specifically maintained by Affinity Water's Treasury function.</li> <li>• Reviewing and approving changes to the Eligible Projects register, capturing instances where Projects no longer meet the eligibility criteria.</li> <li>• Ensuring alignment with the ICMA Green Bond Principles and LMA Green Loan Principles.</li> <li>• Reviewing allocation and impact reporting.</li> <li>• Reviewing and approving changes to the Green Finance Framework as and when required.</li> </ul> <p>DNV concludes that appropriate governance structures are in place to ensure future green finance debt issuances will be appropriately evaluated, selected, managed and reported on, as outlined within the Framework, and that they meet the requirements as set out under the GBPs and GLPs.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	Issuer's governance framework	In addition to the information disclosed by an issuer on its Green Bond/ Loan process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	<p>Affinity Water has established overarching long-term ambitions based on its commitment to four key pillars, including the Environment, Customers, Communities and Resilience, whilst also intending on advancing the applicable UN SDGs as outlined in <a href="#">Schedule 1</a>.</p> <p>To support this, Affinity Water's Green Finance Committee is responsible for ensuring Eligible Green Projects will be selected in accordance with the Company's environmental policies, internal guidelines and risk management procedures, alongside relevant social and environmental standards and regulations to ensure that any negative environmental impacts are managed appropriately.</p> <p>DNV concludes that based on the information provided, Affinity Water's Green Finance Framework is in line with the Company's wider ESG approach to managing sustainability and the risk of potential Eligible Green Projects.</p>

### 3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The gross proceeds of a Green Bond/ Loan should be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the	In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:	<p>Affinity Water's Treasury function will be responsible for managing the net proceeds associated with the issuance of the Green Financing Instruments.</p> <p>To ensure appropriate tracking of the proceeds, the company will maintain an internal register tracking which Eligible Green</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>issuer's lending and investment operations for Green Projects.</p>	<ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	<p>Projects net proceeds have been or are to be allocated towards. Associated investments will also be recorded in its accounting systems.</p> <p>DNV can confirm that Affinity Water has committed to appropriately managing the proceeds arising from issuances of Sustainable Financing Instruments in line with the requirements of the GBPs and GLPs.</p>
3b	Tracking procedure	<p>So long as the Green Bonds/ Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or loan disbursements made during that period.</p>	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	<p>Whilst Affinity Water's Treasury function will maintain the internal register on an ongoing basis, this will be presented on an annual basis to the Green Finance Committee for oversight and approval on allocations for new funds raised.</p> <p>The internal register will contain key information, such as:</p> <ul style="list-style-type: none"> <li>Details of the Green Instruments, i.e. transaction date, amount of net proceeds, maturity date, coupon and ISIN number (where applicable).</li> <li>Use of Proceeds including project details</li> </ul> <p>Additionally, where the Green 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 Green Projects during that period.</p> <p>DNV concludes that Affinity Water has a clear process in place for tracking the unallocated and allocated proceeds balance for the Eligible Projects.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3c	Temporary holdings	Pending such investments or disbursements to Eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> <li>Affinity Water's Internal Treasury Policy</li> </ul>	<p>In circumstances where proceeds cannot be immediately allocated to Eligible Green Projects, the Company will handle the funds in accordance with its Treasury Policy, i.e. cash deposits or money market funds or use them for temporary refinancing purposes, whilst ensuring sufficient liquidity is available at all times should the proceeds be needed for Eligible Green Projects.</p> <p>DNV can confirm that Affinity Water has appropriately disclosed how it will manage any unallocated proceeds from its Sustainable Financing Instruments and that this is in line with the GBPs and GLPs.</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	<p>In addition to reviewing the evidence below, we have had detailed discussions with Affinity Water:</p> <ul style="list-style-type: none"> <li>Affinity Water's AFW15 Green Finance Framework 2025</li> </ul>	<p>Affinity Water has confirmed that it has committed to annual Allocation and Impact reporting. Reports will be made available to stakeholders on the <a href="#">company's website</a> within 12 months from the date of the issuance of the respective Financial Instruments, until the net proceeds have been fully allocated.</p> <p>Reporting will also include a list of categories of which net proceeds have been allocated to, alongside a short description of the projects and their expected impact.</p> <p><b>Allocation reporting</b> will outline:</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>expected environmental, social and/or sustainable impact.</p>		<ul style="list-style-type: none"> <li>• A description of the Green Projects financed under the Framework alongside case studies to demonstrate examples.</li> <li>• The allocation of net proceeds granted to eligible projects.</li> <li>• The split of net proceeds between financing and refinancing.</li> <li>• Supplementary information on how unallocated proceeds are being held.</li> </ul> <p><b>Impact reporting</b> will consist of impact metrics associated with the Eligible Green Projects and will be aligned to the ICMA Harmonised Framework for Impact Reporting (2024) on a best-efforts basis.</p> <p>Example metrics may include the following:</p> <p><i>Sustainable Water and Wastewater Management</i></p> <ul style="list-style-type: none"> <li>• Reduction in Per Capita Consumption (l/p/d)</li> <li>• Compliance Risk Indicator Score</li> <li>• Reduction in leakages (MI/d)</li> <li>• Meters installed (number)</li> <li>• Customers engaged and signed up to campaigns (number)</li> <li>• Reduce unsustainable abstractions (MI/d) as defined by the Environmental agency</li> <li>• Greenhouse gas emissions reduced or avoided – tonnes of CO<sub>2</sub> equivalent or intensity figures (tCO<sub>2</sub>e)</li> </ul> <p><i>Renewable Energy</i></p> <ul style="list-style-type: none"> <li>• Renewable energy produced (GWh)</li> <li>• Total Area of Solar Panels installed (m<sup>2</sup>)</li> </ul>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p><i>Clean Transportation</i></p> <ul style="list-style-type: none"> <li>• Percentage of operational vehicle fleet with tailpipe emissions of zero (%)</li> <li>• EV Charging points installed at operational sites (number)</li> </ul> <p><i>Terrestrial and Aquatic Biodiversity Conservation</i></p> <ul style="list-style-type: none"> <li>• Delivery of biodiversity projects e.g. watershed in square metres (m<sup>2</sup>) of land reserved for biodiversity per year (m<sup>2</sup>/yr), or total spend per year (£/yr).</li> <li>• Length of rivers improved (km).</li> <li>• Total area of active Catchment Management schemes (ha/yr ; km<sup>2</sup>/yr)</li> <li>• Net Biodiversity Gain (%)</li> </ul> <p><i>Energy Efficiency</i></p> <ul style="list-style-type: none"> <li>• Pump/critical asset replacement programme progress (number replaced/ energy saved).</li> <li>• Energy saved from supply automation kWh/m<sup>3</sup> (energy consumption per m<sup>3</sup> of water produced).</li> </ul> <p>DNV can confirm Affinity Water's commitment to producing appropriate and transparent reporting on both the allocation and impact of the financing meets the requirements of the GBPs and GLPs.</p>