A Framework for Decarbonisation
Northern Powergrid’s Green Finance Framework
June 2020
Contents

Foreword 02

Part 1: Introduction to Northern Powergrid

1.1 About Northern Powergrid 06
1.2 Northern Powergrid’s Role in the Energy System Transition 07
1.3 Northern Powergrid’s Business Plan Commitments 08
1.4 Rationale for the Green Finance Framework 10

Part 2: Northern Powergrid’s Green Finance Framework

2.1 Use of Proceeds 14
2.2 Project Evaluation and Selection 18
2.3 Management of Proceeds 19
2.4 Reporting 20
2.5 External Review 21
Decarbonisation of power is essential if the UK is to meet its own zero carbon target by 2050, as well as the global target of the Paris Agreement. Electricity networks like Northern Powergrid’s have a central role in enabling this transformation, providing the infrastructure to link generator and consumer in new and flexible ways to drive change.

Whether this societal target is achieved by 2050 will depend upon the decarbonisation of generation, heat and transport. We have already seen a significant shift in Britain’s generation mix, with the relegation of fossil fuels altogether on increasingly regular occasions. The next phase of change for generation is not in large-scale national projects but in the widespread use and deployment of local renewable energy resources connected directly to local networks.

In the North East, Yorkshire and northern Lincolnshire region alone (the areas that Northern Powergrid operates), approximately 80% of the local authorities have now declared a climate emergency, seven have introduced or are introducing Clean Air Zones and around two thirds have adopted or are aspiring to adopt net zero targets ahead of 2050. These aspirations need to be backed up by accelerated plans to encourage switching to non-fossil fuel alternatives.

Northern Powergrid is fully committed to enabling this transition to a low-carbon economy and working with stakeholders to achieve these goals. A lot of what Northern Powergrid already does is targeted at improving the environmental impact of the electricity network, including finding ways to reduce the amount of greenhouse emissions, reducing different types of pollution and caring for areas of natural beauty such as National Parks.

Our network is being steadily transformed to support and enable the national transition, but there is much more still to do. Like other network operators, we have rolled out more active management technology to allow us to manage our network more flexibly, assuring ever better reliability but also unlocking the potential of the network to operate locally as well as regionally.

As part of the supporting analysis, Northern Powergrid has researched a range of regional energy scenarios, aligned to national analysis, detailing the way the network might have to change under different routes to national decarbonisation. These scenarios are specific to the regional energy future of Yorkshire and the North East, and offer an insight into some of the choices we have to make about how our infrastructure is used to drive the regional energy transition.

We have also set out plans, as part of the transition from a Distribution Network Operator to a Distribution System Operator, which will see Northern Powergrid apply the capability of the technology we have installed to actively manage the network in real time, balancing supply and demand locally, optimising the system to deliver low-carbon energy at the lowest cost to customers.

This Green Finance Framework is a framework for decarbonisation. It demonstrates the link between the investment Northern Powergrid can deliver and the long-term environmental benefits for our customers across the North East, Yorkshire and northern Lincolnshire.

Tom Fielden
Finance Director
Part 1: Introduction to Northern Powergrid

We distribute power to 3.9 million homes and businesses through our network of more than 64,000 substations, over 96,000km of overhead lines and underground cables, spanning almost 25,000 square km.
1.1 About Northern Powergrid

1.2 Northern Powergrid’s role in the energy system transition

1.3 Northern Powergrid’s business plan commitments

1.4 Rationale for the Green Finance Framework
1.1 About Northern Powergrid

Northern Powergrid is responsible for the electricity network that powers everyday life for 8 million people across the North East, Yorkshire and northern Lincolnshire. Northern Powergrid distributes power to 3.9 million homes and businesses through its network of more than 64,000 substations, over 96,000 km of overhead lines and underground cables, spanning almost 25,000 square km. Its dedicated team of around 2,700 employees ensures this service operates 24 hours a day, 365 days a year — no matter what the circumstances — to maintain a safe, reliable and efficient electricity supply.

Northern Powergrid derives its revenue from customers who pay their chosen energy supplier for the electricity they use. A proportion of the money they pay on their electricity bill (around £80 per year) comes to Northern Powergrid to cover the cost of keeping the network running safely, reliably and efficiently.

Northern Powergrid is proud of the vital role it plays in the infrastructure of the North of England and local communities. The company plays an active role in supporting the development of the regional growth agenda through its support of Business North, its sponsorship of the Northern Energy Taskforce, and through its Infrastructure North utility partnership with Northern Gas Networks, Yorkshire Water and Northumbrian Water.

Our network has seen:

- **4.4GW**
  of generation export capacity connected, c. 60% renewable

- **16% (1.1GW)**
  reduction of net peak demand in the last decade

- **51%**
  more EV charging points installed during 2018-19, compared to previous year

- **x15**
  more EVs registered in Q2 2019 compared to five years ago
1.2 Northern Powergrid’s role in the energy system transition

As we move to a low-carbon economy, new technology and digitalisation are driving unprecedented change in the way energy is created and used. As a Distribution Network Operator ("DNO"), it is Northern Powergrid’s responsibility to make sure that its network is able to safely and securely support these changes whilst maintaining high standards of reliability for its customers.

The industry is responding to these changes by transitioning from a traditional DNO to a Distribution System Operator ("DSO") model. A DSO would be better able to balance local and regional energy production (e.g. from local renewables) with the wider demands on the network.

Northern Powergrid is a key enabler for regional decarbonisation and has set a long-term plan to 2030 to reach the full potential of its DSO vision. The company is adapting to enable a smart, flexible, carbon-free energy system while continuing to deliver a safe, reliable and affordable service to its customers. Northern Powergrid is increasingly responsible for connecting customers directly to wind and solar power, while actively ensuring the safety and reliability of its networks to keep power flowing to the communities it serves.

Northern Powergrid is also helping to shape this transition and is engaged in dialogue with stakeholders and policy makers to optimise the local energy system and the investment required to achieve the UK’s net zero carbon ambition by the 2050 target. The company is active in the community energy sector, providing financial and practical support for initiatives. Since 2018 Northern Powergrid’s Community Partnering Fund has been managed in partnership with Northern Gas Networks allowing community groups to bid for a range of energy related community projects. With input from Community Energy England and other contributors, Northern Powergrid is embedding this proactive support for community energy across company activity – helping to deliver the most efficient, clean and fair network possible.

Northern Powergrid sees a near future where it is responsible for efficiently balancing its network, reducing the need for additional costly infrastructure or excess generation capacity, and providing universal services for customers, suppliers and other providers that benefit everyone.
1.3 Northern Powergrid’s business plan commitments

Northern Powergrid operates under regulatory review cycles set by Ofgem, its economic regulator, under a well-established and transparent framework. The current regulatory review period is RIIO-Electricity Distribution 1 (RIIO-ED1) and the review set the outputs that Northern Powergrid needs to deliver over an eight-year period from April 2015 to March 2023, as well as the financial framework it needs to keep within.

Northern Powergrid’s RIIO-ED1 business plan is centered on creating a sustainable energy future for the North of England and sets out Environmental, Financial, Smart Energy, Connections, Safety, Reliability & Availability, Social Obligations and Customer Service commitments.

Supporting the development of the low-carbon economy is at the heart of its RIIO-ED1 business plan. This entails connecting more renewable generation to Northern Powergrid’s network and enabling more use of low-carbon electricity for purposes such as charging of electric vehicles and heating homes and businesses.

Northern Powergrid is also focused on maintaining an environmentally sustainable network that protects the environment as well as enabling the transition to a low-carbon future. Northern Powergrid’s Environmental Management System is certified in accordance with the ISO14001 standard, and the company has made the following environmental business plan commitments:

- Reduce oil/fluid leakage to ground by 15% by 2023.
- Reduce its business carbon footprint by 10% by 2023.
- Underground around 100km of overhead line in areas of outstanding beauty.
- Replace 134km of fluid-filled cables and use Perfluorocarbon tracers to quickly replace leaks.
- Maintain Sulphur Hexafluoride losses as the volume of gas in its switchgear assets increases.
- Deliver faster and higher quality street works reinstatement when it digs up the street.
- Make sure reduction of electrical losses is explicitly factored into investment decisions for a wider range of assets.

Going beyond our plan

We have set a stretch target for undergrounding in Areas of Outstanding Natural Beauty of 120km in ED1.

We have set a 40% stretch target for business carbon footprint reduction (against our original ED1 target of 10%).

We have set a 47% stretch target for oil loss (compared to our original ED1 commitment of 15%).

We have set a 50kg stretch target for SF₆ loss – 62kg lower than our original ED1 business plan target of 112kg.

We have set a stretch target of 224.4km of fluid filled cable replacement – 68% more than our ED1 business plan commitment of 133.6km.

22.1km more
40% less
47% less
≤50kg
90.8km more
Northern Powergrid is on track to deliver and in most cases goes beyond its original environmental commitments, having set stretch targets in a number of key output areas following engagement with its stakeholders. For example, Northern Powergrid is ahead of plan in five of its seven live environmental business plan commitments and on track to deliver the other two. The company has also reduced its carbon footprint, the amount of the greenhouse gas Sulphur Hexafluoride (“SF₆”) lost and oil/fluid losses, as well as reducing electrical losses on its network which further lowers its carbon footprint. In terms of its impact on the wider environment of Northern Powergrid’s activities, about a third of the total length of cables and lines are overhead. Northern Powergrid works with its stakeholders to minimise the visual impact of these assets in National Parks and Areas of Outstanding Natural Beauty.

National Parks and Areas of Outstanding Natural Beauty in our service territory

<table>
<thead>
<tr>
<th>Designated Area</th>
<th>Map Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 North Yorks Moors</td>
<td>1 North Yorks Moors</td>
</tr>
<tr>
<td>2 North Pennines</td>
<td>2 North Pennines</td>
</tr>
<tr>
<td>3 Nidderdale</td>
<td>3 Nidderdale</td>
</tr>
<tr>
<td>4 Yorkshire Dales</td>
<td>4 Yorkshire Dales</td>
</tr>
<tr>
<td>5 Northumberland</td>
<td>5 Northumberland</td>
</tr>
<tr>
<td>6 Howardian Hills</td>
<td>6 Howardian Hills</td>
</tr>
<tr>
<td>7 Northumberland Coast</td>
<td>7 Northumberland Coast</td>
</tr>
<tr>
<td>8 Lincolnshire Wolds</td>
<td>8 Lincolnshire Wolds</td>
</tr>
<tr>
<td>9 Peak District</td>
<td>9 Peak District</td>
</tr>
</tbody>
</table>
Part 1: Introduction to Northern Powergrid

1.4 Rationale for the Green Finance Framework

Northern Powergrid plays a critical role as an enabler of decarbonisation to the communities and economies that it serves and Northern Powergrid is focused on integrating sustainability considerations into each of its operations, including its Treasury function.

The establishment of its Green Finance Framework allows Northern Powergrid to fund its investments with an environmentally impactful and transparent debt instrument, underpinning its commitment to align its financing strategy with its broader environmental commitments. In doing so, Northern Powergrid also hopes to support the growth of the green debt market, which Northern Powergrid sees as a critical tool for driving decarbonisation as well as meeting the commitments of the Paris Agreement on global climate action.
This Green Finance Framework is set up to allow the company optimal flexibility in determining the issuing entity and structural format of the underlying green debt instrument.

Northern Powergrid intends to issue green debt instruments at the level of its operating subsidiaries, Northern Powergrid (Yorkshire) plc and Northern Powergrid (Northeast) plc.

With regards to the debt format, the Green Finance Framework aligns with both the International Capital Markets Association ("ICMA") Green Bond Principles\(^2\) ("GBP") 2018 edition as well as the Loan Markets Association ("LMA") Green Loan Principles\(^3\) (GLP) 2018 edition. It therefore allows the company to issue green-labelled bonds, loans or other capital markets instruments.

In line with these market principles, the framework consists of the following components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

For each green debt instrument issued, Northern Powergrid asserts that it will adopt the above components.

The framework will remain in force as long as any green debt instrument is outstanding. Any future changes in the applicable market standards for green debt instruments may be implemented in future versions of this Green Finance Framework. Any future updated version of this framework will either maintain or improve the current levels and granularity of transparency and reporting disclosures, including the corresponding review by an external consultant.


Northern Powergrid
2.1 Use of Proceeds

2.2 Project Evaluation and Selection

2.3 Management of Proceeds

2.4 Reporting

2.5 External Review
Part 2: Northern Powergrid’s Green Finance Framework

2.1 Use of Proceeds

The net proceeds of green debt instruments will be exclusively used to finance and/or refinance in whole or in part eligible projects and work programmes (“Eligible Green Projects”) in the below categories, together forming the “Eligible Green Project Portfolio”. The net proceeds will only be utilised for Eligible Green Projects 36 months before or 12 months after the issuance date of the green debt instruments.

<table>
<thead>
<tr>
<th>ICMA GBP category</th>
<th>Northern Powergrid operations</th>
<th>Description of investments and/or expenditures</th>
<th>Contribution to UN SDGs</th>
<th>EU Taxonomy Environmental Mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable energy</strong></td>
<td>Connection and/or integration of renewable energy to the grid</td>
<td>Connect and/or integrate low-carbon electricity generation sources to the grid (e.g. connection of renewable energy generation)</td>
<td>Target 7.2: By 2030, substantially increase the share of renewable energy in the global energy mix</td>
<td>Environmental objective: Climate change mitigation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Substantial contribution to climate change mitigation (1.a): generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid</td>
</tr>
<tr>
<td><strong>Energy efficiency</strong></td>
<td>Improving reliability and energy efficiency of the grid</td>
<td>Replacement and/or improvements of assets to reduce energy losses, improve resilience of the grid and improve energy efficiency (e.g. devices and/or facilities allowing higher distribution)</td>
<td>Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</td>
<td>Environmental objective: Climate change mitigation</td>
</tr>
<tr>
<td></td>
<td>Smart equipment</td>
<td>New assets that have a greater capacity to provide reliability improvements (e.g. devices and/or facilities allowing higher distribution)</td>
<td></td>
<td>Substantial contribution to climate change mitigation (1.b): Improving energy efficiency except for power generation activities that are referred to in Article 14(2a)</td>
</tr>
<tr>
<td></td>
<td>Battery replacement</td>
<td>Smart grid technologies (e.g. installation of equipment that facilitates enhanced network operation and flexibility)</td>
<td>Target 7.3: By 2030, double the global rate of improvement in energy efficiency</td>
<td>Selected economic activity: Transmission and distribution of electricity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


*In alignment with the EU Taxonomy Environmental Objectives as defined in Article 5, amendment 41 and Article 6: http://www.europarl.europa.eu/doceo/document/TA-8-2019-0325_EN.html
<table>
<thead>
<tr>
<th>ICMA GBP category</th>
<th>Northern Powergrid operations</th>
<th>Description of investments and/or expenditures</th>
<th>Contribution to UN SDGs</th>
<th>EU Taxonomy Environmental Mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pollution prevention and control</td>
<td>Emission and waste mitigation projects</td>
<td>Projects that would reduce waste and greenhouse gas emissions (e.g. transformer/switchgear replacement/refurbishment that reduces loss of oil and/or reduce CO₂ or SF₆)</td>
<td><strong>Target 12.4:</strong> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment</td>
<td>Environmental objective: Pollution prevention and control</td>
</tr>
<tr>
<td>Clean transportation</td>
<td>Electric vehicles</td>
<td>Projects that would reduce greenhouse gas emissions from transport (e.g. EV charging facilities and electric vehicles)</td>
<td><strong>Target 11.2:</strong> By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</td>
<td>Environmental objective: Climate change mitigation</td>
</tr>
<tr>
<td>Environmentally sustainable management of living natural resources and land use</td>
<td>Care for environment and wildlife</td>
<td>Projects that help with rewinding, restoring or protect habitats (e.g. moving overhead lines underground, particularly in Areas of Outstanding Natural Beauty)</td>
<td><strong>Target 15a:</strong> Mobilise and significantly increase from all sources financial resources to conserve and sustainably use biodiversity and ecosystems</td>
<td>Environmental objective: Protection and restoration of biodiversity and ecosystems</td>
</tr>
<tr>
<td>Sustainable water and wastewater management</td>
<td>Flood mitigation</td>
<td>Projects aimed at protecting operational assets from flooding (e.g. flood defences)</td>
<td><strong>Target 13.1:</strong> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</td>
<td>Environmental objective: Sustainable use and protection of water and marine resources</td>
</tr>
</tbody>
</table>
## Part 2: Northern Powergrid’s Green Finance Framework

<table>
<thead>
<tr>
<th>ICMA GBP category</th>
<th>Northern Powergrid operations</th>
<th>Description of investments and/or expenditures</th>
<th>Contribution to UN SDGs</th>
<th>EU Taxonomy Environmental Mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change adaptation</td>
<td>Earthing system improvements</td>
<td>Projects aimed at enhancing the protection of distribution networks from the impacts of climate change (e.g. earthing system improvements)</td>
<td>Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</td>
<td>Environmental objective: Climate change adaptation</td>
</tr>
<tr>
<td></td>
<td>Innovation Management of natural habitats</td>
<td>Projects that protect the overhead lines network from extreme weather events caused by climate change (e.g. vegetation management)</td>
<td></td>
<td>Substantial contribution to climate change adaptation (1.a): That economic activity includes adaptation solutions that either substantially reduce the risk of adverse impact or substantially reduce the adverse impact of the current and expected future climate on that economic activity itself without increasing the risk of an adverse impact on other people, nature and assets</td>
</tr>
<tr>
<td></td>
<td>Eco-efficient and/or circular economy adapted products, production technologies and processes</td>
<td>Reducing waste</td>
<td>Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse</td>
<td>Environmental objective: Transition to a circular economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Projects aimed at using alternative materials or design approaches to reduce waste and maximise recycling (e.g. changing materials used in substation buildings)</td>
<td></td>
<td>Selected economic activity: Transmission and distribution of electricity</td>
</tr>
<tr>
<td></td>
<td>Green buildings</td>
<td>Energy-efficient buildings</td>
<td>New, existing or refurbished buildings which have received at least one (or more) of the following classifications: BREEAM ≥ “Very Good”; LEED: ≥ “Gold”; or similar recognised standard Individual investments in green buildings to ensure environmental improvements (e.g. energy efficient lighting)</td>
<td>Target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Substantial contribution to Climate Change Mitigation (1.b): Improving energy efficiency except for power generation activities that are referred to in Article 14(2a);</td>
</tr>
</tbody>
</table>

---

16 Northern Powergrid
Smart Grid Enablers programme snapshot

Smart Grids

- National Grid
- Local distributed generation
- Large substations
- Primary substations
- Local distribution and overhead substations
  - Remote terminal units
  - Transformer control & monitoring of powerflow, tap changer positions, and voltage set points
  - Voltage management
  - Remote control
  - Targeted monitoring of voltage, current & harmonics, transformer temperature
- 3.9m local homes & businesses
  - Developing in parallel:
    - Smart meters
    - Smart devices
    - Smart EV chargers
    - Smart tariffs

Smarter powergrid
A smarter network makes use of real-time information on network performance and energy consumption to respond to and manage demand and maintain a more efficient, affordable and low-carbon flow of energy. By doing so, a smarter network will also enable the growth of new customer technologies such as electric vehicles, renewable generation and heat pumps, among others.
Part 2: Northern Powergrid’s Green Finance Framework

2.2 Project Evaluation and Selection

Projects and work programmes financed and/or refinanced through the green debt instruments proceeds are evaluated and selected based on compliance with the eligibility criteria defined in the Use of Proceeds section by Northern Powergrid’s Green Finance Committee.

Northern Powergrid’s Green Finance Committee is chaired by a board director and is formed by members of Treasury, Regulation, and Investment Planning, and other parties to be nominated as subject matter experts from the various sectors of allocated assets. The Green Finance Committee meets on an annual basis as a minimum. In addition to monitoring the Eligible Green Project Portfolio, the Green Finance Committee is also responsible for:

— reviewing the content of Northern Powergrid’s Green Finance Framework and updating it to reflect changes in corporate strategy, technology and market developments on a best efforts basis
— excluding projects or investments that no longer comply with the eligibility criteria or have been disposed of and replacing them on a best efforts basis
— as green debt instruments mature, removing the oldest projects for an equivalent investment amount to ensure that green debt instruments continue to fund new projects
— preparing allocation and impact reports associated with the Green Finance Framework.

The project evaluation and selection complies with Northern Powergrid’s corporate and sustainability objectives as well as with applicable national, European and international environmental and social standards and regulations, thus ensuring a stringent management of any potential negative environmental and social impact.

In particular, Northern Powergrid applies the following sustainability policies to its project and investment decisions:

— Environmental Policy Statement
— RIIO-ED1 Business Plan Commitments (2015-23)
— External policies such as ENA Engineering Technical reports.

Northern Powergrid’s approach to environmental sustainability is described in its Environmental Report that is published annually on its website.

Environmental Respect

We are committed to using natural resources wisely and protecting our environment for the benefit of future generations. Our Environmental RESPECT Policy details this commitment in the areas of Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training.
2.3 Management of Proceeds

Northern Powergrid intends to allocate the proceeds from the green debt instruments to an Eligible Green Project Portfolio, selected in accordance with the use of proceeds criteria and the evaluation and selection process presented above. This portfolio consists of new and/or existing work programmes and projects. Proceeds will be managed according to Northern Powergrid’s internal tracking and accounting systems to ensure appropriate project tracking and to avoid double counting.

Northern Powergrid will strive to maintain a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding green debt instruments. Additional Eligible Green Projects will be added to the Issuer’s Eligible Green Project Portfolio to the extent required, as a result of, for instance, divestments, thereby ensuring that an amount equal to the net proceeds from outstanding green debt instruments is allocated to Eligible Green Projects until the maturity of the green debt instruments.

Pending the full allocation to the Eligible Green Project Portfolio, Northern Powergrid is permitted to use any unallocated funds for either debt repayment and/or its treasury liquidity portfolio – which can include deposits, money market funds and other similar products.
Part 2: Northern Powergrid’s Green Finance Framework

2.4 Reporting

The Green Bond Principles require green bond issuers to provide information on both the allocation of proceeds and the expected impact of the green projects.

Northern Powergrid will make and keep publicly available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio and wherever feasible report on the impact of the Eligible Green Project Portfolio, at least at the category level, within 12 months from the issuance of the applicable green debt instruments to be renewed annually until full allocation of the green debt instruments net proceeds. Any material developments, such as modification of the framework or allocation portfolio, will be reported in a timely manner.

Northern Powergrid intends to provide aggregated reporting for all of Northern Powergrid’s green debt instruments and other potential green debt instruments outstanding. Reports will be available at Northern Powergrid’s website, www.northernpowergrid.com.

a) Allocation reporting

The allocation report will provide:

- the total amount of investments and expenditures in the Eligible Green Projects Portfolio,
- the amount and/or percentage of new and existing Eligible Green Projects (share of financing and refinancing),
- the year of investment/disbursement,
- the balance of any unallocated proceeds.

b) Impact reporting

Northern Powergrid intends to report on the environmental impacts of the projects funded with the green debt instrument proceeds through a dedicated impact report. These may be supplemented by qualitative and/or case-study reports on outcomes and impacts of the projects funded. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency.

Northern Powergrid intends to align, on a best efforts basis, the reporting with the portfolio approach described in ICMA’s Handbook for Harmonized Framework for Impact Reporting last published in June 2019.

The impact report will include:

- a description of the Eligible Green Projects,
- a breakdown of the Eligible Green Projects by nature of what is being financed (assets, capital expenditures, operating expenditures),
- metrics regarding the Eligible Green Projects’ environmental impacts:

<table>
<thead>
<tr>
<th>Eligible green bond category</th>
<th>Potential impact reporting indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>— Capacity of renewable energy production connected in the grid (in MW).</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>— Number of smart grid components installed (such as smart meters, smart stations, wireless telecom networks). — Estimate of annual energy consumption savings by clients, indirect impact.</td>
</tr>
<tr>
<td>Clean transportation</td>
<td>— Number of EV charging points (#).</td>
</tr>
<tr>
<td>Pollution prevention and control</td>
<td>— Estimated annual CO₂ emission reduction (in tCO₂eq.). — Reduction in SF₆ lost to atmosphere (kg). — Reduction of oil/fluid loss from all sources (litres). — Fluid filled cable replaced (km, cumulative).</td>
</tr>
<tr>
<td>Green buildings</td>
<td>— Estimated annual CO₂ emission reduction (in tCO₂eq.). — Estimated annual energy savings (MWh). — Overview of sustainable labels and certificates for eligible buildings.</td>
</tr>
</tbody>
</table>
2.5 External Review

a) Second party opinion

Northern Powergrid commissioned DNV-GL to conduct an external review of this Green Finance Framework, commenting on:

— framework alignment with ICMA, LMA and other relevant market standards,
— environmental benefits expected from the underlying project categories,
— alignment of the framework with Northern Powergrid’s broader sustainability strategy.

DNV-GL’s second party opinion is available on Northern Powergrid’s website.

Northern Powergrid intends to obtain an update of this opinion for any new material developments under the framework, such as a new debt instrument or changes to the disclosure within the framework.

b) Verification

Northern Powergrid intends to request a limited assurance report regarding the allocation of the proceeds from any green debt instruments issued under this Green Finance Framework. Such report will be issued annually until all the proceeds of the green debt instruments have been allocated, confirming that an amount equal to the net proceeds of the green debt instruments have been allocated in compliance with the eligibility criteria set out in this Green Finance Framework.
Disclaimer

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Northern Powergrid. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Northern Powergrid as to the fairness, accuracy, reasonableness or completeness of the information in this document.

This document may contain statements about future events, projections, expectations, prospects and estimates that are forward looking statements (together, “forward looking statements”). None of the forward looking statements in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such forward looking statements have been prepared are correct or exhaustive or fully stated in the document. Northern Powergrid undertakes no obligation to update, modify or amend this document, to reflect actual changes in assumptions or changes in factors affecting forward looking statements or to otherwise notify any addressee if any forward looking statement set forth herein changes or subsequently becomes inaccurate.

This document is not intended to be and should not be construed as providing legal or financial advice. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities. Nothing contained herein shall form the basis of any contract or commitment whatsoever. This document has not been approved by any security regulatory authority.

The distribution of this document may be subject of legal restrictions in some countries. Persons who might come into possession of it must inquire as to the existence of such restrictions and comply with them.

The information in this document has not been independently verified.

The addressee is solely liable for any use of the information contained in this document and Northern Powergrid shall have no responsibility for any damages, direct, indirect or otherwise, arising from the use of this document by the addressee.