

April 2025

**Cadent**  
Your Gas Network

# Green Finance Framework

Allocation and Impact Report





# Introduction



# Introduction

Our purpose is to keep people warm while protecting the planet. We recognise that as a provider of a critical service, we have a responsibility to keep people safe, warm and independent in their homes and provide businesses with the power they need to operate.

This is done with a keen eye to the future, whilst decarbonising our own business, and investing in green alternatives to fossil fuels to power the UK for generations to come.

Overall, we strive to be recognised as a force for good by our customers and stakeholders which is underpinned by the three strategic pillars of Easier Warmth, Fairer Opportunities and Greener Society which support the UN Sustainable Development Goals (SDGs).



Our sustainability agenda is part of the company's broader strategy, and through our continued efforts in pursuing environmental commitments with supply chain partners, the launch of a green fleet and with the injecting of biomethane to the network as well as trialling hydrogen blending at scale, we are consolidating our role at the forefront of energy transition in Britain.

To support us in achieving our goals we have a very robust governance framework in place, with a diverse set of Board members, wide ranging sub-committees, one of which focusses entirely on sustainability and ESG matters.

We complete extensive disclosure and reporting on our environmental and sustainability performance which can be found on our website in our Annual Report and Accounts, Annual Environmental Report and our Sustainability Report.

# Our Green Finance Framework

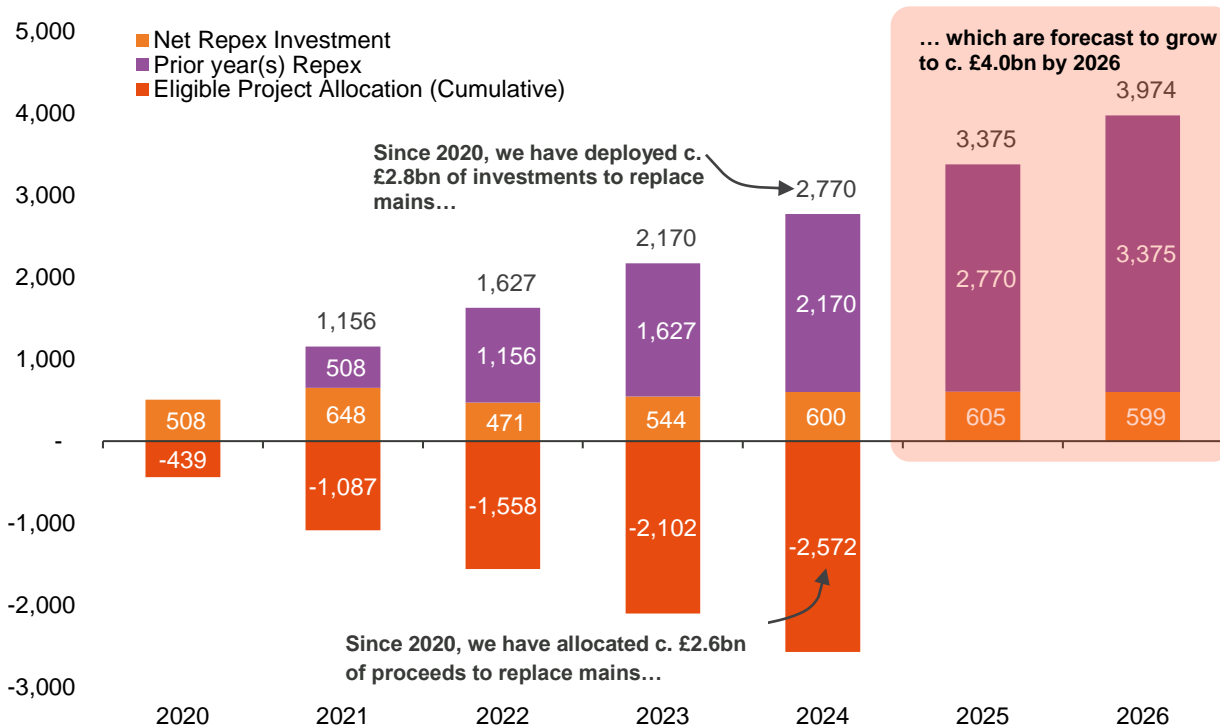
Our Green Finance Framework, published in 2023, continues to underline our commitment to place sustainability at the centre of our financial and business strategy. The framework represents the next chapter in sustainability financing for Cadent, following the preceding Transition Bond Framework and updates the eligible projects to align as closely as possible with the EU Taxonomy and follows the four pillars of the Green Bond Principles:

- Use of Proceeds
- Project Evaluation and Selection Criteria
- Management of Proceeds
- Reporting & External Review

The framework sets out how the projects financed and/or refinanced through the net proceeds of any Green Bond notes are evaluated. Projects are selected by a working group of representatives with the required level of expertise and seniority from Cadent.

Cadent has up to £1.4bn of eligible assets available for our future issuance from the Green Finance Framework and under the mains replacement (Repex) programme we expect to reach c. £4.0bn of cumulative investments eligible under the framework by 2026, at which point our workload will be re-assessed as part of the next regulatory period RIIO-3. Our RIIO-3 business plan can be found on our website, which puts developing infrastructure fit for a low-cost transition to net-zero as one of the key outcomes.

## Mains Replacement Expenditure (£m)



In April 2024, we continued to access the sustainable capital markets with the issuance of €640m of Green Bonds and we continue to allocate this against the mains replacement programme as eligible projects outlined in our Green Finance Framework.

Investors continue to be supportive of the framework and Cadent's overall sustainability strategy.

## Framework Issuance

	Issue Date	ISIN	Currency	Amount	GBP	Maturity
<b>Transition Bond Framework</b>	11/03/2020	XS2116701348	EUR	500m	439.2m	11/03/2032
	19/03/2021	XS2320438653	EUR	625m	536.7m	19/03/2030
<b>Green Finance Framework</b>	14/03/2023	XS2596453014	GBP	300m	300.0m	14/03/2034
	05/07/2023	XS2641164491	EUR	500m	432.2m	05/07/2029
	11/01/2024	XS2743029923	GBP	315m	315.0m	11/01/2036
	16/04/2024	XS2801122917	EUR	640m	548.5m	16/04/2033



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## Allocation and Impact Report

# Allocation of Proceeds

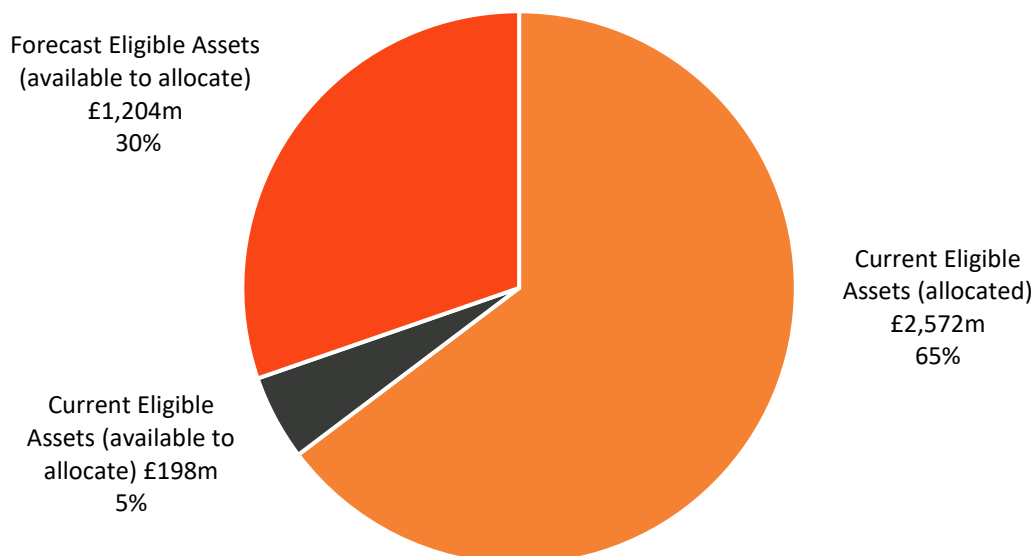
The proceeds of the Green Bonds have been and will continue to be allocated in line with the Green Finance Framework, which represents the next chapter in our sustainable finance strategy.

At the date of this report Cadent had issued Use of Proceeds instruments totalling £2,572m consisting of the Transition bonds issued in 2020 and 2021 (£976m) and the Green bonds in 2023 and 2024 (£1,596m). The proceeds of these issuances have been allocated in full against the eligible category – transmission and distribution networks for renewable and low-carbon gases.

The assessment in this report covers issuance and impact against the Green Bond issued in April 2024 (ISIN: XS2801122917). The use of proceeds assessment for the previously issued Green or Transition Bonds can be found in the impact reports previously published, available on our website.

Projects in the category selected for allocation of proceeds includes Cadent's spend on Mains and Service Replacement only. The Working Group, comprising representatives from the Treasury Team, Corporate Social Responsibility Team and Project Team, are responsible for the selection of investments and have ensured that the identified works fall within the definition of eligible projects. Proceeds from issuance in April 2024 have been allocated against the refinancing of the mains replacement category expenditure in 2022/23 of £78.8m, and 2023/24 of £469.7m. The proceeds represent 100% spend on fully eligible projects. All net proceeds from our Green Bonds are earmarked for allocation to Eligible Projects and prior to allocation all funds have been invested in line with our approved liquidity management policy. Forecast cumulative Repex spend to the end of FY2026 is c.£4.0bn, providing significant capacity for further Green issuance.

## Eligible Spend



# Impact reporting

The impact of the allocated proceeds can be calculated using Cadent's Ofgem approved leakage models for 2022/23, and 2023/2024 which is pro-rated to the allocated proceeds amount (£78.8m and £469.7m in 2023/23 and 2023/24 respectively).

The impact of the spend over the two years 2022/23 to 2023/24 is summarised in the table below.

## Impact

	2022/23	2023/24	Total
<b>Mains replacement expenditure (£m)*</b>	543.5	599.8	1143.3
<b>Allocation (£m)</b>	78.8	469.7	548.5
<b>Reduction in Leakage (GWH)</b>	5.7	32.5	38.2
<b>GHG emissions avoided (tCO2e)</b>	6,994.5	39,884.6	46,879.1





The conversion to tonnes of CO2 equivalent for this report used a global warming potential factor of 25 for consistency purposes and matches that of previous submissions. The Greenhouse Gas Protocol reports GWP for methane as 28, if we used this then cumulative emissions for the period avoided be higher at 52,504.6 tCO2e.

The leakage model underpinning the impact calculations in this report is the Shrinkage Leakage Model (SLM). It is used by each UK Gas Distribution Network to calculate emissions from the transportation network. The model was built by Advantica and the methodology within it is agreed by Ofgem. Ofgem do not provide procedures or guidance as to how to complete the SLM, however the networks meet periodically to ensure a standardised set of modelling rules. On an annual basis the Gas Distribution Networks have a Licence obligation to review the methodology and application of the SLM and to investigate ways to improve the accuracy of the calculation. Changes to the methodology within the SLM requires Ofgem approval and expert review.

\*Network split of the programme:

Mains Replacement by network (£m)	2022/23	2023/24
East	179.9	191.4
London	165.2	120.6
North West	113.8	93.0
West Midlands	84.6	194.8



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