

REPORT REVIEW

Cadent Allocation and Impact Report

11 April 2025

VERIFICATION PARAMETERS

Type of reporting

- Green Bond Allocation and Impact Reporting

Relevant standard

- Harmonised Framework for Impact Reporting, ICMA, June 2024
- Cadent's Allocation and Impact Report (as of Apr. 2, 2025)

Scope of verification

- Cadent's Green Finance Framework (as of Mar. 1, 2023)
- Bond identification:

Issue date	ISIN	Maturity date	Amount raised
Apr. 16, 2024	XS2801122917	Apr. 16, 2033	EUR 640 million

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Allocation and Impact Report (as of Apr. 2, 2025)

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SCOPE OF WORK

Cadent Gas Ltd. (“the Issuer” or “Cadent”) commissioned ISS-Corporate to provide a Report Review on its Allocation and Impact Report by assessing:

1. The alignment of Cadent’s Allocation and Impact Report (as of Apr. 2, 2025) with the commitments set forth in its Green Finance Framework (as of Mar. 1, 2023).¹
2. Cadent’s Allocation and Impact Report, benchmarked against the Harmonised Framework for Impact Reporting (HFIR), as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators — whether the impact metrics align with best market practices and are relevant to the green bond issued.

CADENT OVERVIEW

Cadent Gas Ltd. is involved in the distribution of natural gas in the United Kingdom. It transports gas through main and branching pipelines. It is also engaged in the maintenance, repair and replacement of gas pipes. The company’s network is stretched throughout the North-West, West Midlands, East Midlands, South Yorkshire, East of England and North London. Cadent brings gas to almost 11 million homes and businesses in the U.K.

¹ The Framework was assessed as aligned with the Green Bond Principles as of Mar. 1, 2023.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part I</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>Cadent's Allocation and Impact Report fulfills the commitments outlined in its Green Finance Framework.</p>	<p>Aligned</p>
<p>Part II</p> <p>Alignment with the HFIR</p>	<p>The Allocation and Impact Report aligns with the HFIR. The Issuer adheres to core principles and, where applicable, recommendations.</p> <p>The Issuer provides transparency regarding the level and frequency of expected reporting, in line with best practices. Reporting occurs within the next fiscal year following issuance and includes a clear illustration of environmental impacts, and transparency on ESG risk management and the currency used. The Issuer reports on the overall portfolio impacts and discloses the prorated share of overall results. To facilitate comparison and benchmarking of project results, Cadent reports on a sector-specific core indicator.</p>	<p>Aligned</p>
<p>Part III</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of bond proceeds has been disclosed with a detailed breakdown as proposed in the Framework.² Cadent's Allocation and Impact Report employs an appropriate methodology to report the impact generated, providing comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices.</p>	<p>Positive</p>

² The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

**Limited
Assurance
conclusion**

Based on ISS-Corporate's limited assurance methodology,³ parts I and II, and the sampling check assessment results, nothing has come to the attention of ISS-Corporate that indicates the information provided by Cadent in its report does not fairly present, in all material respects, the allocation of bond proceeds to eligible green projects as described in Cadent's Bond Framework.

³ ISS-Corporate's limited assurance procedure is based on common market practices and voluntary guidelines such as ISAE 3000. It relies solely on the analysis of information provided by the Issuer, for which the Issuer retains full responsibility, including data on allocation of proceeds, project descriptions, sample portfolios and project impacts. The external review was conducted through desk-based analysis, and no on-site visits were performed. However, limited assurance reviews have inherent limitations and may not detect all instances of non-compliance within the scope or the review, including fraud, error or non-compliance. This external review was prepared specifically for the Issuer, and we do not assume any responsibility for reliance on this report by any parties other than the intended recipient.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN FINANCE FRAMEWORK⁴

The following table evaluates the Allocation and Impact Report against the commitments outlined in Cadent’s Framework, which are based on the core requirements of the Green Bond Principles and best market practices.

GREEN BOND PRINCIPLES	OPINION	ALIGNMENT WITH COMMITMENT
Process for project evaluation and selection	<p>Cadent confirms adherence to the process for project evaluation and selection outlined in its Green Finance Framework. The Issuer applied the eligibility criteria detailed in the Framework to determine project alignment with the defined categories.</p> <p>ESG risks associated with these project categories are identified and managed appropriately, as defined in the Framework.</p>	✓
Management of proceeds	<p>Cadent confirms adherence to the management of proceeds described in its Green Finance Framework.</p> <p>The proceeds collected equal the amount allocated to eligible projects, with no exceptions. These proceeds are tracked appropriately and attested to in a formal internal process.</p>	✓
Reporting	<p>The report aligns with the initial commitments outlined in Cadent’s Green Finance Framework.</p> <p><i>Further analysis of this section is available in Part III.</i></p>	✓

⁴ Cadent’s Green Finance Framework was assessed as aligned with the Green Bond Principles (as of June 2021) as of Mar. 1, 2023.

PART II: ASSESSMENT AGAINST THE HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the Green Bond Principles, and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of annual reporting. Green bond issuers are required to report on both the use of green bond proceeds and the environmental impacts at least annually until full allocation or maturity of the bond. The HFIR has been chosen as the benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Cadent’s Allocation and Impact Report against the HFIR.

CORE PRINCIPLES		
HFIR	ALLOCATION AND IMPACT REPORT	ASSESSMENT
Report on an annual basis	As reporting is a core component of the Green Bond Principles, Cadent reported within one year of issuance. The report will be available on Cadent’s website .	✓
Formal internal process to allocate proceeds	All proceeds have been allocated only to projects that meet the Framework’s eligibility criteria. The Issuer details its approach to determining proceeds allocation eligibility in the Allocation and Impact Report.	✓
Transparency on the currency	Allocated proceeds have been reported in a single currency, British pounds.	✓
ESG risk management	The Issuer has a system to identify and manage ESG risks associated with the financed projects. The Issuer has not identified any material negative effects of the program.	✓
Illustrate the expected environmental impacts or outcomes	The impact report illustrates the expected environmental impacts resulting from projects funded by green bond proceeds. It is based on ex-ante estimates — developed before project implementation — of expected annual results for a representative year, once a project is completed and operating at normal capacity. The methodology for estimating these impacts is transparent. Further information is available in Part III.	✓

RECOMMENDATIONS		
HFIR	ALLOCATION AND IMPACT REPORT	ASSESSMENT
Report at project or portfolio level	Reporting was conducted on a green bond portfolio basis, whereby proceeds from all of Cadent’s outstanding green bonds funded a portfolio of projects.	✓
Define and disclose period and process for including/removing projects in the report	The Issuer allocated the proceeds solely to Cadent’s expenditure on Mains and Service Replacement (Repex).	N/A
Signed amount and amount of green bond proceeds allocated to eligible disbursements	<p>Cadent indicates the total signed amount and the amount of green bond proceeds allocated to eligible disbursements.</p> <p>Signed amount: GBP 1143.3 million</p> <p>Allocated amount: GBP 548.5 million</p>	✓
Approach to impact reporting	The Issuer reports on the overall impacts of the portfolio and discloses the prorated share of the overall results.	✓
Report on at least a limited number of sector-specific core indicators	To facilitate comparison and benchmarking of project results, Cadent reports on a sector-specific core indicator: annual GHG emissions reduced/avoided in tonnes of CO ₂ equivalent/b.	✓
Disclose own methodologies, where there is no single commonly used standard	<p>The Issuer uses widely recognized and publicly available standards.</p> <p>Further information can be found in Part III.</p>	N/A
Disclosure of the conversion approach	The Issuer converts units reported for individual projects based on a standard conversion factor. Cadent elected to convert reported units using a global warming potential factor of 25 ⁵ and includes appropriate disclosure of the conversion approach in the report.	✓

⁵ The Greenhouse Gas Protocol reports the global warming potential of methane as 28.

Projects with partial eligibility	All projects are 100% eligible for financing.	N/A
Use (and disclosure) of the attribution approach	The impacts achieved by each of the financed projects are attributed to one type of intervention only.	N/A
Ex-post verification of specific projects	The Issuer does not sample ex-post verification of specific projects.	N/A
Report the estimated lifetime results and/or project's economic life (in years)	Cadent does not report estimated lifetime results and/or the project's economic life (in years) to illustrate its impact over its lifetime.	-

OPINION

Cadent adheres to the HFIR's core principles and key recommendations. The Issuer provides transparency regarding the level and frequency of expected reporting, aligning with best practices. Reporting occurs within the next fiscal year following issuance and includes an illustration of environmental impacts, and transparency on ESG risk management and the currency used. The Issuer reports on the overall impacts of the portfolio and discloses the prorated share of the overall results. To facilitate comparison and benchmarking of project results, Cadent reports on a sector-specific core indicator.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATOR

Use of proceeds allocation

Use of proceeds allocation reporting contextualizes impacts by presenting the number of investments allocated to the respective use of proceeds categories.

Allocation reporting occurred within one year of issuance.

This is the first year of allocation reporting. There are no unallocated proceeds.

Proceeds allocated to eligible projects/assets

The allocation of proceeds is broken down at the project category level. The Issuer has provided information regarding the types of projects included in the portfolio.

The allocation reporting section of Cadent's Allocation and Impact Report aligns with best market practices by providing information on:

- Mains replacement expenditure (million GBP)
- Eligible assets (%)
- Allocation (million GBP)
- Reduction in leakage (GWh)
- GHG emissions avoided (tCO₂e)
- Forecast Repex spend to the end of 2026

Output, outcome and impact reporting indicators

The table below presents an independent assessment of the Issuer’s report and disclosure on the impact of projects/assets using indicators.


ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The indicators chosen by the Issuer for this bond are as follows:</p> <ul style="list-style-type: none"> ▪ GHG emissions avoided (tCO₂e) ▪ Reduction in leakage (GWh) <p>These indicators are quantitative and material to the use of proceeds category financed through the bonds. GHG emissions avoided (tCO₂e) is a core indicator for Energy Efficiency projects proposed by the HFIR, aligning with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>The data is sourced by the Issuer and no ex-ante or ex-post assumptions are adopted due to the nature of the project category. The Issuer solely (re)finances the retrofitting of gas transmission and distribution networks (Repex), and outcomes from Repex investments are obtained using an Ofgem-approved model. Cumulative GHG emissions avoided are computed from the reduction in leakage resulting from the financed projects. The Issuer utilizes the Shrinkage Leakage Model to conduct impact calculations, which was developed by Advantica⁶ and whose methodology was agreed upon with Ofgem. Distribution networks must review the methodology and application of the model annually; however, any changes require prior approval from Ofgem.</p>
<p>Baseline selection</p>	<p>The Issuer utilizes data from the prior year’s leakage model and applies it to the current year’s leakage data. Subsequently, actual data is input into the model to quantify the impact on leakage for the relevant year.</p>
<p>Scale and granularity</p>	<p>The impact data is presented at the use of proceeds category level for the indicators.</p>

High-level mapping of the impact indicator with the U.N. Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Allocation and Impact Report, the impact indicator adopted by Cadent for its green bonds can be mapped to the following SDGs, according to ISS ESG’s SDG Solutions

⁶ Now a part of [DNV](#).

Assessment, a proprietary methodology designed to assess the impact of an Issuer’s product or services on the U.N. SDGs.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<ul style="list-style-type: none"> ▪ GHG emissions avoided (tCO₂e) ▪ Reduction in leakage (GWh) 	

OPINION

The allocation of bond proceeds has been disclosed with a detailed breakdown as proposed in the Framework. The Allocation and Impact Report employs an appropriate methodology to report the impact generated, providing comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices. Furthermore, one indicator used aligns with best market practices, utilizing metrics recommended by the HFIR.

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as the Allocation and Impact Report remains unchanged.
2. ISS Corporate Solutions, Inc. ("ISS-Corporate"), a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: Methodology

Review of the post-issuance reports

The ISS-Corporate Report Review provides an assessment of labeled transactions reporting against international standards using ISS-Corporate's proprietary [methodology](#).

High-level mapping to the SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary methodology based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent the Issuer's reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

The Issuer's responsibility was to provide information and documentation on:

- Allocation and Impact Report
- Green Finance Framework
- Proceeds allocation
- Reporting impact indicators
- Methodologies and assumptions for data gathering and calculation
- ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Report Review has been conducted by following ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Cadent took place from March to April 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses the alignment of the Issuer's report with external principles (e.g., the Green/Social Bond Principles), assesses the alignment of the Issuer's report against the commitments in the respective Framework, and analyzes the disclosure of proceeds allocation, data source and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well-informed as possible about the proceeds allocation and the impact of the sustainable finance instrument(s).

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For information on Report Review services, please contact SPOsales@iss-corporate.com.

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