



Independent Limited Assurance Report

to the Directors of Cadent Gas Limited

Cadent Gas Limited ("Cadent") commissioned DNV GL Business Assurance Services UK Limited ("DNV", "us" or "we") to conduct a limited assurance engagement over Selected Information presented in the Cadent Transition Bond Impact Report (the "Report") for the reporting year ended 31 March 2020.



Our Conclusion: Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Independent Limited Assurance Report, in particular the inherent limitations explained overleaf.

Selected information

The scope and boundary of our work is restricted to the key performance indicators included within the Report for current reporting year (the "Selected Information"), listed below:

- Reduction in leakage as a result of the 2019/20 Repex project: 37.1 GWh/yr
- Annual GHG emissions avoided: 45,548.3 tCO₂e

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used the Cadent's reporting criteria (the "Criteria"), which can be found in Appendix A.

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Cadent's website for the current reporting period or for previous periods.

Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Conducting interviews with Cadent management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Performing limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported;
- Reviewing that the evidence, measurements and their scope provided to us by Cadent for the Selected Information is prepared in line with the Criteria; and
- Assessing the appropriateness of the Criteria for the Selected Information;
- Reading the Report and narrative accompanying the Selected Information within it with regard to the Criteria.

Inherent limitations

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities. Our assurance relies on the premise that the data and information provided to us by Cadent have been provided in good faith. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Limited Assurance Report.



Standard and level of assurance

We performed a **limited** assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced but not reduced to very low.

DNV GL Business Assurance Services UK Limited

London, UK
4 March 2021



Responsibilities of the Directors of Cadent and DNV

The Directors of Cadent have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Cadent in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

DNV Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
www.dnvgl.co.uk/BetterAssurance

Appendix A. Cadent's Key Performance Indicators (KPIs): Definitions and methodology

The table below has been prepared by Cadent Gas Limited. It is intended to provide readers with a summary of the methodologies used by them to prepare the Selected Information.

KPI	Units	Definition	Comments
Reduction in leakage	GWh/yr	Reduction in leakage due to projects in the Mains and Service Replacement (Repex) programme between April 2019 and March 2020.	<p>The Repex programme uses plastic pipes and fittings to replace iron pipework in the street and metallic services to properties (Mains Replacement and Service Replacement respectively).</p> <p>Components of the leakage (shrinkage) model that are related to the Repex programme are: Mains Leakage: an extract of Mains data taken from the core ESRI system is converted into regulator instructed groupings based on material and diameter of pipe with an associated leakage rate applied. For specific material types and pressure regimes gas conditioning (MEG) and system pressures (ASP) are also included within the calculation. Service Leakage: service replacement numbers are taken from our regulatory reporting pack (RRP) and applied annually to the Leakage Model.</p> <p>The remaining components of the leakage model are: Interference Damage: damage to pipe infrastructure caused by a 3rd party and resulting in gas losses to the atmosphere. Standard rates are applied to the damages depending on the pressure regime and whether it is service or mains damage. AGI Venting: static figure for each Local Distribution Zone as directed by the regulator, and accounts for gas lost from pneumatic devices above ground installations that vent post operation. AGI Leakage: this is a combination of NTS Offtakes, LTS Offtakes, District Governors and Service Governors. Each of these categories have a different leakage rate. Mains Leakage and Service Leakage are the only components related to the Repex programme.</p> <p>Conversion to tCO₂e: The document captures the emissions in GWh and tCO₂e, these are the same values but in different unit formats. The calculation for converting the emissions is based on the formula and inputs provided by the Regulator for converting future emissions assumptions into tCO₂e (for the purposes of our upcoming RIIO-2 regulatory period).</p> <p>Overall reduction in leakage for 2019/20 is 42.9 GWh/yr, this has been apportioned based on the March 2020 issuance proceeds used and the overall spend on the programme during the period $(42.9 \text{ GWh/yr} * (439.2/507.1)) = 37.1 \text{ GWh/yr}$. A similar apportionment has been applied to Annual GHG emissions avoided.</p>
Annual GHG emissions avoided	tCO ₂ e	GHG emissions avoided by projects in the Mains and Service Replacement (Repex) programme between April 2019 and March 2020.	The Repex programme uses plastic pipes and fittings to replace iron pipework in the street and metallic services to properties (Mains Replacement and Service Replacement respectively).