

## **GREEN FINANCING** FRAMEWORK

15TH JULY 2021

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# Introduction

**enfinium** is the largest pure-play waste-toenergy (WtE) operator in the U.K., with over 45 years of proven industry experience. Its portfolio comprises four state-of-the-art, R1 accredited operational facilities, and three further facilities which are in advanced development stage.

## Sustainability at enfinium

enfinium's vision - making a difference today to deliver a cleaner tomorrow - guides the company's strategy, priorities, and the opportunities it creates for its people, partners and communities.

Environmental, social and governance (ESG) considerations are integrated into the policies and principles that govern our business. Our approach to ESG management includes having robust governance systems; risk management and controls; striving to serve our customers transparently; investing in our employees and cultivating a diverse and inclusive work environment; and advancing sustainable solutions for our clients and our operations. The company's five core values, Safety on Purpose, One Team, Pride Matters, Make a Positive Impact and Take Ownership, inform everything we do.



# The role of WtE in the circular economy

In the U.K., landfill historically acted as the primary residual waste treatment solution. Landfill however generates few value outputs in comparison to WtE and is particularly damaging to the environment due to the Carbon Dioxide ("CO<sub>2</sub>") and Methane ("CH<sub>4</sub>") emitted during the decomposition of waste.



Over the past two decades, the U.K. government and EU have passed regulation to change how waste is managed, promoting increased recycling and recovery of waste treatment via WtE facilities. From an environmental and climate change perspective, the overriding priority for the U.K. government is to continue to reduce the amount of waste being sent to landfill and prevent exports of U.K. waste to other countries and ensure there is sufficient capacity of the cleanest, most efficient WtE facilities to treat this waste and recover energy from it in the U.K.

With over 27 million tonnes of residual waste produced in the U.K. every year, WtE provides an essential service as the lowest carbon option and the only proven large-scale alternative to landfill for residual waste that cannot be

reduced, re-used or recycled.

Energy generated from WtE is considered to be sustainable as c.50% of the CO<sub>2</sub> emitted is derived from biogenic (non fossil-based) material. The production of partially renewable energy indirectly reduces CO<sub>2</sub> emissions as it offsets the need for fossil fuel energy sources
 Waste heat can be utilised for Combined Heat and Power ("CHP") offtake. Not only does this increase

WtE is integral to the circular economy and supports the U.K. government's net zero carbon emissions target by providing several environmental benefits:

 WtE diverts waste from landfill, which reduces the amount of Greenhouse Gas ("GHG") emissions such as CO<sub>2</sub> and CH<sub>4</sub> released into the atmosphere plant efficiency, but WtE heat displaces fossil energy (usually gas)

 Recovery of materials through Incinerator Bottom Ash ("IBA") and Air Pollution Control residues ("APCr") from the WtE process can be reused as aggregate for construction materials, reducing pressure on virgin materials.



## enfinium's role in the circular economy and reaching net zero carbon

At present, our four operational facilities - Kemsley, Ferrybridge 1 (F1), Ferrybridge 2 (F2) and Parc Adfer ("PA") (together, the "operational facilities" or "operational assets") - produce 1.8 million MWh of sustainable baseload energy, powering c.500,000 homes in the U.K., by processing 2.3 million tonnes of local and regional post-recycled waste each year. The operational facilities further promote the circular economy by recycling 440,000 tonnes of ash and 80,000 tonnes of APCr to be used as construction aggregate and building blocks, respectively, in turn reducing the carbon footprint of the construction industry by providing a local alternative to virgin mined aggregate.

In terms of carbon savings, enfinium's operational facilities are among the most efficient in the U.K., resulting in higher reductions in carbon emissions than the industry average. Overall, F1, F2 and Kemsley rank within the top 5 out of the 45 operational facilities when ranked on the overall CO<sub>2</sub> benefit per tonne of waste and, on average, the four facilities save 253kg of CO<sub>2</sub> per tonne of waste when compared to landfill. enfinium is exploring ways to further enhance the efficiency of the facilities and reduce CO2 emissions including heat offtake at F1, F2, and PA (Kemsley is already CHP delivered) and carbon capture, utilisation, and storage (CCUS).

## Overview of enfinium refinancing

On the 4th February 2021, First Sentier Investors ("FSI") managed infrastructure funds completed the purchase of WTI/EFW Holdings Ltd ("Wheelabrator U.K."). FSI completed the acquisition of the SSE shareholding in Multifuel Energy Limited on the 7th January, 2021. Wheelabrator U.K. and Multifuel Energy Limited were integrated into a single operating group, rebranded as enfinium on the 3rd June, 2021.

enfinium intends to carry out a Green Financing of the debt raised in the recent acquisition process through a long-term financing platform.

#### **Simplified Structure Chart**



<sup>1</sup> Parc Adfer debt to be refinanced in 12 months. Until such refinancing occurs, the Parc Adfer entities are outside of the financing perimeter.



The proposed day one financing structure will initially incorporate the four operational assets but will facilitate the incorporation of new projects and assets in the perimeter over time, based on a pre-established "permitted acquisition" framework, illustrated by the Structure Chart below.

# enfinium green financing framework

## enfinium's rationale for **Green Financing**

sustainable future.

Decarbonisation of the waste industry and the economy in general is fundamental to enfinium. By issuing Green Finance Instruments, we aim to align our funding strateg

#### **Environmental objectives**

**Environmental Protection & Enhanceme** 

**Climate Change** 

Pollution

Sustainable Resources

#### enfinium believe that Green Finance Instruments are a useful way of raising funds to assets/projects that have and will continue to have a positive environmental impact and contribute to a more

y gy	with our values and goal of creating a cleaner world through our four environmental objectives outlined in the table below.
	Goal
nt	Ensure that we protect biodiversity, ecological areas and associated ecosystem services, such as food, air and water
	Work towards lower greenhouse gas and CO2 emissions to help meet reduction targets and net zero aspirations
	Effective monitoring and remediation of air pollution (SOx, NOx and other air emissions) as well as other on-site pollution and emissions
	Manage land and water resources effectively, encourage recycling and use resources sustainably wherever possible

## Alignment with Green Bond/ Loan Principles

enfinium has established this Green Financing Framework (hereafter to be referred to as "enfinium's Green Financing Framework", "The Framework" or "Green Financing Framework") under which the Company intends to issue Green Finance Instruments, which may include; Loans, Bonds including Private Placements, Notes, Commercial Paper, Term Facilities, and any other Green Finance Instrument to finance and/or refinance Eligible Green Assets<sup>2</sup> (henceforth to be known as a "Green Finance Instrument").

### The Green Finance Instruments under the enfinium Refinancing will consist of Green Term Facilities<sup>3</sup>.

This Green Financing Framework is based on and seeks to align with the Loan Markets Association ("LMA") Green Loan Principles ("GLP")<sup>4</sup> and the International Capital Markets Association ("ICMA") Green Bond Principles ("GBP")<sup>5</sup>. The GBP and GLP comprise voluntary recommended standards and guidelines and have been created with the aim of promoting transparency, disclosure and reporting in the green loan and bond market to facilitate and support environmentally sustainable economic activity. Any future changes to the GLP and/or the GBP may be applied to future versions of this Green Financing Framework. enfinium's Green Financing Framework has four core components:



For each Green Finance Instrument issued, enfinium will adopt these four components. Moreover, enfinium has followed the recommendations of the GBP and GLP regarding external review by seeking a Second Party Opinion ("SPO") from an accredited provider, DNV Business Assurance Services U.K. Limited (known hereafter as "DNV" or "SPO provider").

The Framework will govern any Green Finance Instrument issued by enfinium at the day one Green Refinancing and subsequent Green Financing(s) and/or Refinancing(s), and will be valid so long as any Green Finance Instrument remains outstanding.

<sup>2</sup> as outlined in the Use of Proceeds section

<sup>3</sup> Green Term Facilities comprise the Term Facility under the Initial Bank Facilities Agreement and the Notes under the Initial Note Purchase Agreement

<sup>4</sup> 2021 version

<sup>5</sup> 2021 version

## Deep-dive: how do enfinium's facilities provide environmental benefits?

GREEN FINANCING FRAMEWORK

# WtE under various taxonomies and principles

Each WtE facility's environmental impact depends on various factors such as type of waste processed, efficiency, % of materials recycled, calorific value ("CV"), age of facility, level of maintenance, type of technology, location of facility and market regulatory backdrop etc.

WtE facilities are considered eligible for green financing under the GBP, GLP and Climate Bonds Initiative ("CBI"), subject to meeting certain criteria set out by these institutions. enfinium's Green Financing Framework has been verified as compliant with the GBP and GLP principles and has aligned its performance criteria to that of the CBI waste taxonomy. WtE facilities are not automatically included in the EU Taxonomy. EU is currently debating the topic, with a balance needing to be struck between the fact that WtE has an important role to play in the circular economy, alongside concerns that a large portion of waste currently burnt in WtE facilities could be recycled in some individual member states.

While enfinium's facilities are not located in the EU, we are committed to ensuring that our facilities do provide environmental benefits and support the circular economy, and therefore believe it is important to address the issues raised by the EU in addition to ensuring our facilities meet the criteria outlined by the various institutions such as the CBI. Therefore, this section intends to address the following issues/ criteria and demonstrate how enfinium's WtE facilities meet/exceed these standards:

$\bigcirc$	Plant efficiency
$\bigcirc$	Bottom Ash Recovery & APCr
$\bigcirc$	Carbon
$\bigcirc$	Capacity and lock-in risk
	Separation of recyclables

<sup>6</sup>Considered eligible for facilities outside of the EU, including the U.K.

Due to the confidential nature of the information this section refers to, some of the underlying data and analysis is not available for readers of this report, however we can confirm information (in the form of contracts, third party advisor reports, and facility data) that confirms compliance with the criteria has been shared with DNV.

## Plant efficiency

**Requirement:** All operational assets and future facilities are required to have and maintain a plant efficiency >= 25% and R1 status over the life of the facility

## Plant efficiency

The following section outlines how enfinium's facilities not only meet but exceed these criteria by being the most efficient fleet of WtE plants in the U.K. by a significant margin.

#### Plant efficiency >= 25%

The calculated net electrical efficiency in normal operations for the enfinium facilities is as follows:



An independent external technical review of WtE plants in the U.K. shows how enfinium's fleet compares to other facilities in the U.K.:

#### enfinium net electrical efficiency compared with other operating U.K. WtE facilities



Source: Fichtner reference database of U.K. WtE facilities

This review has also confirmed that the F1 and F2 plants Ferrybridge are the most efficient power-only WtE facilitie currently operating in the U.K.

Kemsley is the only other U.K. plant with an efficiency level of over 29% which means that the operational enfinium portfolio is by some distance the most efficient fleet of WtE

#### R1 status

The latest R1<sup>7</sup> efficiency calculations for the enfinium plants show the following R1 values for 2020:

FERRYBRIDGE 1 0.70 R1 CALCULATION

KEMSLEY **1.03** R1 CALCULATION

Under the Waste Framework Directive and U.K. regulations, a WtE plant will have 'Energy Recovery – R1 Status' if it achieves an R1 calculation of at least 0.65.

All of enfinium's operational facilities meet the criteria in relation to plant efficiency and R1 status, and will continue to strive to achieve this.

<sup>7</sup> The R1 factor is a performance indicator for the level of energy recovery from waste. It is determined as the ratio of the energy produced from the process over the energy contained in the waste corrected as necessary for external process inputs, such as additional fuel or heat lost to residues. Where the value of R1 is greater than 0.65 over the duration of a year, the process can be classed as a recovery operation.

at	plants in the U.K. Kemsley also provides heat offtake to the
es	adjacent DS Smith paper mill meaning its overall CHP
	efficiency is even higher. enfinium is also actively pursuing
vel	heat offtake opportunities for the other plants in the portfolio



## Bottom Ash Recovery and Air Pollution Control Residues (APCr)

**Requirement:** Bottom Ash Recovery >= 90% recovery of metal from ash

#### Ferrybridge 1 and Ferrybridge 2

Ferrybridge 1 and Ferrybridge 2 have an Incinerator Bottom Ash (IBA) recovery contract in place with Blue Phoenix (formerly Ballast Phoenix). This 15-year agreement, signed in September 2018, facilitated the construction of a state-of-theart IBA recycling facility adjacent to the Ferrybridge 1 and Ferrybridge 2 plants. As well as increasing IBA recycling levels and metals recovery, the construction of the adjacent plant delivers carbon savings estimated at 964,384 kgCO<sub>2</sub>/year by eliminating the need to transport 220 - 250 ktpa of IBA to the previous processing facility in Sheffield.

The Ferrybridge IBA contract incentivises the recovery of ferrous and non-ferrous metals from the IBA by incorporating a revenue sharing mechanism and also contains obligations to maximise the level of recycling of IBA. Overall, 100% of the IBA from the Ferrybridge plants is currently recycled with none being diverted to landfill.

Blue Phoenix recover a very high proportion of metals found in the IBA as the aggregate they produce as the main product from the IBA is required to have as low a metal content as possible for technical purposes. Blue Phoenix have an internal KPI to reduce the residual metal content in the aggregates they produce to below 2%.

Ferrybridge 1 and 2 have a recovery contract in place for processing Air Pollution Control residues (APCr)<sup>8</sup> for the two facilities. Ferrybridge 1 generated 24,311<sup>9</sup> tonnes of APCr, with a 71.4% recycling rate. Ferrybridge 2 also generated 24,687<sup>9</sup> tonnes of APCr, with a 100% recycling rate.



#### Kemsley

Kemsley has an IBA recovery contract in place with Fortis, which was entered into on 8 August 2018. The contract is facilitating the commissioning by Fortis of a new IBA processing facility at Medway in Kent which will again reduce the haulage distances required to transport IBA from the Kemsley facility. The IBA Offtake Agreement is for a term of 15 years and includes obligations designed to maximise the recycling level achieved in relation to the IBA and reduce disposal to landfill.

During the first partial contract year in 2020, Fortis achieved a metals recovery rate of 83.3% (8,768 tonnes from an estimated 10,522 tonnes). Once the new IBA processing plant is operational in the coming months this recovery rate will exceed 90% due to the implementation of the latest metal recovery technologies and a more refined process.materials and, overall 100% of IBA is recycled and reused with none being disposed of to landfill.

#### Parc Adfer

Parc Adfer has a recovery contract with Blue Phoenix for the processing of IBA from the facility. The contract is for an initial term of 10 years and includes provisions relating to maximising the amount of IBA recycled and reused and the recovery of ferrous and non-ferrous metals. Blue Phoenix typically recover well over 90% of the metal content from the IBA prior to processing into aggregates and construction materials and, overall 100% of IBA is recycled and reused with none being disposed of to landfill.

Kemsley and Parc Adfer have APCr disposal contracts in place. Kemsley generated 16,226<sup>9</sup> tonnes and Parc Adfer generated 4,923<sup>9</sup> tonnes of APCr. enfinium is actively reviewing APCr recycling opportunities for these facilities and it is expected that similar levels of recycling to Ferrybridge can be achieved once the new arrangements are in place.

## Carbon

#### Total GHG (tCO<sub>2</sub> equiv.) avoided annually (e.g. if waste were sent to landfill)

WtE is generally acknowledged to deliver carbon savings in comparison to the counter factual of landfill. The latest government data on emissions<sup>10</sup> shows that, whilst the waste management sector has achieved emissions reductions of

#### Greenhouse gas emissions from waste management, U.K. 1990-2019 (MtCO<sub>2</sub>e)



Source: Tables 1.2 to 1.6. Final U.K. greenhouse gas emissions national statistics 1990-2019

What this data shows is that the overriding priority in terms In Q4 2020, independent external technical consultants of de-carbonising the waste management sector is to carried out a carbon benefit assessment of the enfinium WtE continue to divert waste from landfill and WtE remains the plants in comparison to a total of 45 operational U.K. plants. most sustainable solution for achieving this. The assessment was carried out in accordance with The level of carbon savings from diverting waste to WtE is the WRATE modelling methodology developed by the dependent on the overall efficiency of the facility, whether it Environment Agency and used for the purposes of planning is CHP-delivered, the technology solution selected and the and permitting assessments under U.K. regulations. The age of the facility. assessment found that the Ferrybridge 1 and 2 as well as Kemsley were all in the top 5 out of 45 operational facilities in the U.K. when ranked based on the overall CO<sub>2</sub> benefit per tonne of waste.

<sup>8</sup> Air Pollution Control residues (APCr) are a mixture of ash, carbon and lime. APCr can be recycled and reused to manufacture concrete blocks and construction aggregates <sup>9</sup> 1 August 2020 to 31 July 2021 period <sup>10</sup> U.K. Government, BEIS: 2019 U.K. Greenhouse Gas Emissions, Final Figures, 2nd February 2021

around 70% since 1990, emissions remain at around 19MtCO<sub>2</sub>e and this level has reached a plateau in the last 5 years. The vast majority (over 90%) of these emissions are through methane emissions from landfill sites.

## Carbon (continued)

The report also calculated the overall carbon benefit in terms of kg of CO<sub>2</sub> per tonne of waste processed at each of enfinium's facilities as follows:

#### Input Factor WtE Carbon Assessment

Facility	Direct Burden* (tC0 <sub>2</sub> )	Landfill Benefit (tC0 <sub>2</sub> )	Energy Benefit (tC0 <sub>2</sub> )	<b>Overall Benefit**</b> (kg C0 <sub>2</sub> /t waste)
Ferrybridge 1	308,966	250,103	220,240	242
Ferrybridge 2	281,507	227,813	200,590	242
Kemsley	169,997	206,250	220,344	309
Parc Adfer	34,374	73,845	52,400	175
TOTAL	938,941	758,011	693,575	253***

\*Fossil based carbon only \*\*Assuming offsetting approach outline previously \*\*\*Weighted average

Using this data, it is possible to calculate the total GHG savings per year delivered by the enfinium fleet, based on the consented capacity of each facility:

Facility	Consented Capacity (tonnes)	Carbon Benefit per tonne (C0 <sub>2</sub> )	Total Carbon Savings per year (tonnes CO <sub>2</sub> )
Ferrybridge 1	725,000	242	175,450
Ferrybridge 2	725,000	242	175,450
Kemsley	657,000	309	203,013
Parc Adfer	200,000	175	35,000
TOTAL			588,913

The total  $CO_2$  savings delivered by the enfinium fleet are equivalent to around a 3.1% reduction in the total emissions of the U.K. waste sector (based on the 2019 total sector emissions of 19M tonnes).

#### Waste composition (carbon content % and biogenic content %)

The latest assessments of biogenic carbon content for the operating plants are as follows:



\* Current estimate based on waste composition comparison to Kemsley. Subject to calibration testing.



## Total amount of energy produced annually (MWh) and % considered to be renewable

In 2020, the operating facilities generated around **1.8 million MWh** of electricity of which an average of **49.35%** is renewable based on the average biogenic content of the fuel.



## Capacity gap and lock-in risk

**Requirement:** Evidence that there is a capacity gap in areas where enfinium plants are located and facilities do not cause harm to the circular economy

During the development phase for each new facility, enfinium carries out a detailed assessment of waste availability in the relevant market and catchment area to ensure that there is a sufficient capacity gap to support the long-term need for the facility. This assessment is based on enfinium's own market planning methodology, which draws on detailed information and assessments from a range of fuel suppliers and is also supported by independent expert analysis on the waste market.

enfinium finances new developments through a project financing structure and the independent verification of the long-term capacity gap and waste availability is a key part of lender due diligence on each project. During the operational period for each facility, enfinium also carries out an annual detailed market planning review which involves updating the market and capacity gap assessment with the latest available data.

Based on the latest independent expert analysis, there are long-term capacity gaps for each of the operational facilities through to at least 2035.

The capacity gap assessments ignore the potential for longer distance transportation of waste from a wider catchment area using, for example, rail transportation and this is being considered actively for the Ferrybridge plants which benefit from an existing rail terminal adjacent to the facilities.



## How does enfinium support the government's plan to reach 65% recycling?

enfinium is fully supportive of all measures to increase recycling rates and support the circular economy, not onl because this is the right environmental solution, but also because this aligns with our obligations in our environmental permits and the economic incentives for business. In particular, enfinium supports the governme initiatives to reduce the quantity of plastics in residual w which will have the effect of reducing the fossil carbon fraction of residual waste processed at WtE facilities.

#### Under the terms of the Environmental Permits for the operating plants, the WtE facilities are not permitted accept materials separated for recycling. enfinium enforces compliance with this requirement by:

- (a) including obligations on fuel suppliers in all Fuel Supply Agreements to comply with these Environm Permit requirements;
- (b) carrying out visual load checks and weighbridge checks at all facilities to ensure that fuel suppliers are complying with these requirements and that recyclates are not being supplied for processing at the facilities; and
- (c) conducting duty of care audits at supplier facilities to review processes for segregating recyclable material collected from customers.

enfinium supports the government's initiatives to reduce the quantity of plastics in residual waste

ily o our	As previously highlighted, enfinium also maximises the recycling of IBA and APCr through contracting with specialist suppliers who recover ferrous and non-ferrous metals and use the residual ash and residues in the production of aggregates and building materials.
ent's vaste <b>ne</b>	enfinium promotes the segregation of mixed recyclables at all of its facilities and its corporate office and has contracts in place for the collection and recycling of materials ensuring that the internal culture and approach to recycling are also aligned with the government's objectives.
<b>d to</b> ental	From an economic perspective, enfinium is incentivised to work with its fuel suppliers to reduce the overall calorific value of waste delivered to its facilities. Typically, the higher the content of plastics and other potentially recyclable material in the waste stream, the higher the calorific value. A higher calorific value means that a lower volume of waste can be processed due to the design constraints of the boilers at the facilities.
o Is	In addition, enfinium is also incentivised to reduce the fossil carbon content and increase the biogenic content of waste processed at its facilities. This again means a desire to reduce the levels of plastic and other fossil carbon-based materials in the waste stream. Higher biogenic and lower fossil carbon proportions mean an increase in the level of qualifying renewable electricity that is produced, and this is directly relevant to income under the CfD at the

Kemsley plant.

## Separation of recyclables

The enfinium facilities source waste from both municipal (MSW) and commercial and industrial (C&I) sources, primarily through long-term contracts with Tier 1 waste companies in the U.K.<sup>11</sup>

Waste collection authorities in England have been under a duty to arrange for the separate collection of recyclable materials since 2010 and, under the provisions of the Waste (England and Wales) Regulations 2011 ("Waste Regulations") (implementing the Waste Framework Directive), local authorities have been required, wherever practicable, to collect wastepaper, metal, plastic and glass separately since 1 January 2015. The government is also planning to introduce further statutory obligations on authorities from 2023 to increase the separate collection of recyclable materials, including the mandatory separate collection of food waste. In relation to C&I waste, waste collection companies are also under a duty under Regulation 12 of the Waste Regulations to apply the waste hierarchy and prioritise the recycling of waste wherever possible. In addition, under Regulation 13 of the Waste Regulations, waste collectors are required to take all possible measures to ensure the separate collection of wastepaper, metal, plastic and glass and to ensure that these measures are appropriate to meet the necessary quality standards for the relevant recycling sectors.

All of enfinium's major suppliers are committed to and invest heavily in the promotion of separate recycling collections, processing and re-use of recycled materials.

Local authorities publish their recycling rates on an ongoing basis and the following table shows the rates achieved for the major authorities that supply waste to enfinium facilities<sup>12</sup>:

Local Authority	Recycling Level (2019/20)	Facility Residual waste sent to
Wrexham	69.60%	Parc Adfer
Conwy	69.30%	Parc Adfer
Anglesey	68%	Parc Adfer
Flintshire	65.60%	Parc Adfer
Denbighshire	64.80%	Parc Adfer
Gwynedd	64.70%	Parc Adfer
East Riding	63.30%	Ferrybridge 1
Surrey	56%	Kemsley
Wigan	52.80%	Ferrybridge 1
Wakefield	49.30%	Ferrybridge 1
Barnsley	47.10%	Ferrybridge 1
Telford	47%	Parc Adfer
Doncaster	46.40%	Ferrybridge 1
Medway	46%	Kemsley
Rotherham	45.40%	Ferrybridge 1
Bradford	40.70%	Ferrybridge 2

<sup>11</sup> Tier 1 describes national suppliers controlling significant volumes of waste and having significant financial covenant strength and in the U.K. includes Veolia, SUEZ, Viridor, Biffa and FCC

These recycling rates generally compare very favourably with the average national recycling rate for household waste of 45.5%<sup>13</sup> and this shows that there is not a general correlation as some argue, between waste being processed at WtE facilities and lower than average recycling rates.

In relation to C&I waste, it is difficult to calculate precised the recycling rates by each source customer. However, independent experts have assessed the C&I market on a overall basis and they have assessed that the current nat recycling rate for municipal-like C&I waste is 61%.

enfinium's experience is that the major suppliers who p fuel for enfinium's plants typically exceed this national average figure due to their extensive investment in recy facilities and infrastructure. For example, in relation to packaging waste, a recycling rate of around 70% is being achieved<sup>14</sup> and this is largely through C&I collections fro the major waste companies who supply enfinium's plan

Analysis of this source data from both local authority and sources allows enfinium to conclude that the vast major waste processed at its facilities is from waste streams wh recycling rates of between 46% and 65% are being achie This is in comparison to the national average of 45.5%.

Contractual requirements imposed waste suppliers to provide only non recyclable waste

Obligations are imposed in a number of ways on fuel suppliers under the terms of enfinium's fuel supply agreements:

- (a) all fuel suppliers are explicitly required to comply with applicable legislation, including the requirements in relation to recyclable materials under the Waste Regulations
- (b) all fuel supplied is required to comply with the Fuel Specification, which is defined in accordance with the requirements of the plant's Environmental Permit. The requirements do not permit the processing of mate separated for recycling and include limitations to or European Consolidated Waste Catalogue codes specin the permit; and
- (c) through the restrictions and pricing impacts relating to the calorific value of the waste

of	Dynamics of gate fees and CV
lation,	As previously mentioned, higher levels of recyclable material in the waste stream (e.g. plastics, paper, cardboard) result in a higher overall calorific value (CV) which, in turn, means that
ly	the plant cannot process the expected volume of waste due to the thermal limitations of the boilers. As a result, enfinium
an tional rovide	implements restrictions and incentives on fuel suppliers through its fuel supply agreements to lower the overall CV of the waste supplied to each plant. This effectively means that fuel suppliers will need to ensure that they minimise the amount of recyclable materials in the waste stream.
l.	In order to achieve this, the fuel supply agreements specify
rcling	a range between a minimum and maximum CV level within
g om its.	range is deemed as unacceptable fuel and cannot be delivered to the plant.
d C&I ity of 1ere	In addition, the supply agreements typically specify a target average CV level and then apply a price increase to the gate fee if the actual average CV level is higher than the target.
on I-	For waste supplies that are not through long-term contracts, these supply arrangements are usually established through an auction process for capacity where the supplier will bid a gate fee and also a CV level that they are able to supply to the facility. These bids are evaluated on a weighted basis which favours fuel with a lower CV, again incentivising waste suppliers to reduce the level of recyclable material provided for processing.
	The fuel supply agreements contain detailed procedures for specification testing of waste supplies to calculate the CV level.
n all	The fuel supply agreements may also contain a price adjustment mechanism based on the biogenic content of the waste which means that suppliers need to pay a higher gate fee for fuel with a lower biogenic content (and, therefore, higher fossil carbon content). This provides a further incentive for suppliers to reduce the levels of fossil each as in the suppli-
ne These rials nly the	for suppliers to reduce the levels of fossil carbon in the waste supplies, for example by reducing the plastic content of the waste.
cified	<sup>12</sup> https://www.letsrecycle.com/councils/league-tables/2019-20-overall-
g	performance/ <sup>13</sup> DEFRA – Statistics on waste managed by local authorities in England in 2019/20 dated 3 March 2021

<sup>14</sup> DEFRA – U.K. Statistics on Waste – 19 March 2020

## **Use of Proceeds**

An amount equal to the net proceeds of any Green Finance Instrument issued by enfinium will be used to finance and/or refinance, in part or in full, existing and/or new Eligible Green Assets. Eligible Green Assets refer to those which fall into the Eligible Green Categories outlined in this section.



#### Pollution prevention and control

**Energy efficiency** 



Other renewable energy

Any refinanced Eligible Green Asset will have a look-back period of 36 months.<sup>15</sup>

Eligible Green Assets under this investment catego may include the development including preceding research, construction, acquisition, installation, operation, repair, maintenance, and enhancement of:

 Existing operational and future WtE facilities<sup>16</sup> New facilities should reduce the amount of waste being sent to landfill and/or exported from the U.K.; repair and maintenance of existing and new/acquired facilities; enhancements of existing and new/acquired facilities including improving efficiency of boiler and/or turbine. Existing operational and future WtE facilities will also be required to comply with the Climate Bonds

#### Criteria for energy from waste<sup>17</sup>

#### **Assets covered**

Facilities which produce power and/or heat/cooling by the thermal processing residual waste, including rejects from recyclin composting/AD

- Technologies that enhance energy efficiency of WtE process This might include heat offtake, private wire or hydrogen production, among other options
- Technologies that further reduce air emissions in the WtE process This might include CCUS technologies
- if signed off by a third party report as eligible at the time that financing exercise is conducted
- December 2019 p.12

## Pollution prevention and control

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Initiative("CBI") eligibility criteria outlined in the table below. enfinium also endeavours to comply with all changes to regulation and criteria outlined by the EU, CBI, GBP, GLP surrounding WtE facilities. The eligible assets may also include complementary technology enhancements to the operational and future WtE facilities designed to improve the efficiency and environmental performance of the plants. Technology enhancements may include frontend sorting and treatment technology.

	Eligibility criteria
g of g/	<ul> <li>Plant efficiency &gt;= 25%; and</li> <li>Bottom ash recovery; and</li> <li>&gt;= 90% recovery of metal from ash; and</li> <li>Average carbon intensity of electricity and/or heat over the life of the plant &lt;= waste management allowance; and</li> <li>The capacity of the plant does not exceed the calculated residual waste at any time in the plant's life</li> </ul>

<sup>15</sup> In accordance with the Green Loan Principles and Green Bond Principles, the "look-back period" refers to the period of 36 months, during which an Eligible Green Asset may be financed and / or refinanced following the date of its acquisition into the common terms platform as shown on page 7. For example, if an Eligible Green Asset is brought in to the common terms platform but there is, initially, no Green Finance Instrument raised to finance that asset, enfinium will be required to finance the asset no longer than 36 months from the acquisition date for the instrument to be labelled a Green Finance Instrument. Note, the look-back period will only apply to assets that are not contemplated on day one by this Green Financing Framework. The look-back period may be adjusted on a case by case basis if and only

<sup>16</sup> Existing operational and future WtE facilities, including but not limited to those outlined in the Simplified Structure Chart on page 7 <sup>17</sup> Climate Bonds Initiative: Waste Management Criteria - The Climate Bonds Standard & Certification Scheme's Waste Management Criteria,



## Energy efficiency

To further support the government's goal to reach net zero and to advance enfinium's sustainability ambitions, the Company is committed to further reducing its carbon footprint by increasing energy efficiency in its daily operations.

enfinium's operating procedures all include the deployment of 'best available techniques ("BAT")', which include a programme of continuous improvement to ensure all operations are carried out in the most efficient and least resource intensive manner. Particular initiatives are focused on the reduction in the amount of auxiliary fuel used at the plants and the development of detailed outage planning and maintenance regimes to ensure plant operating efficiency is maximised, unplanned outages are reduced and diesel consumption is minimised.

enfinium's procurement programmes also focus on energy and carbon efficiency in the supply chain and recent activities have involved investigating methods to utilise electrical mobile plant on site instead of petrol or diesel equipment. A further recent project has also seen the replacement of lighting at Ferrybridge facilities with low-energy LED lighting. Kemsley and Parc Adfer have since inception utilised LED lighting.

All existing and new plants are being constructed with charging points for electric vehicles and we are reviewing incentive schemes to encourage the transition to electric vehicles among our workforce. Our ESG working group is also developing a number of further ideas to promote energy efficiency and reduce carbon emissions.

Eligible Green Assets under this investment category may include the development including preceding research, construction, acquisition, installation, operation, repair, maintenance, and enhancement of:

- Infrastructure (e.g. installation of Solar/photovoltaic panels, EV charging units, Smart Meters, LED lighting, more efficient Motors)
- Transportation (e.g. measures to reduce emissions from transportation including (but not limited to) repositioning of IBA processing facilities closer to WtE facilities, EV charging units, railhead at Ferrybridge, purchase of EV and/or hybrid vehicles, implement cycle to work scheme and/or employee EV/hybrid vehicle purchase scheme)

All existing and new plants are being constructed with charging points for electric vehicles

## Other renewable energy

Renewable energy assets that further reduce the reliance on fossil fuels both complement the WtE process and align with enfinium's values and environmental objectives to contribute to creating a cleaner world.

Eligible Green Assets under this investment category may include the development including preceding research, construction, acquisition, installation, operation, repair, maintenance, and enhancement of:

- Solar/photovoltaic panels;
- CHP-enabled plants

## **Process for Project Selection** and Evaluation

By allocating proceeds to any Eligible Green Asset, enfinium aims to further de-carbonise the waste industry, supporting the circular economy and the U.K. government's net zero targets.

Assets financed and/or refinanced through the issuance of any Green Finance Instrument will be evaluated and selected based on compliance with the Green Eligibility Criteria by the Board Finance, Risk Management & Audit Committee consisting of members of enfinium's Board of Directors including its Non-Executive Chair and other Non-Executive Directors.

The Committee will meet at least four times a year and is responsible for:

- Approving and overseeing the enfinium ESG Strategy and monitoring progress against the Group's ESG objectives and annual plan
- Defining and ensuring delivery of the enfinium Group's carbon strategy and net zero plans and targets
- Maintaining appropriate KPIs and objectives to track progress against the Group's ESG and sustainability targets and ensure continuous improvement



- Monitoring compliance with the Green Financing Framework and the allocation of proceeds of the financing to Eligible Green Assets on the basis set out in the Framework
- Manage the annual reporting process to lenders, investors and other stakeholders.

Once the Green Assets have been selected, they will be added to the list of Eligible Assets and may receive proceeds from the issuance of any Green Finance Instrument.

**GREEN FINANCING FRAMEWORK** 

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# Management of Proceeds

The net proceeds of the Green Finance Instruments issued under this framework will be deposited to and managed under the ringfenced accounts outlined in the Finance Documents, to be labelled as the "Green Accounts" or such other equivalent wording as defined in the Finance Documents.

The allocation of funds toward the Eligible Green Assets will be documented and monitored by enfinium's Finance, Risk and Audit Committee of the Board.

enfinium will strive to ensure that the value of the Eligible Green Assets matches or exceeds the balance of net proceeds throughout the life of the Green Financing. Moreover, unallocated proceeds will be invested in cash and/or cash equivalents and/or equivalent marketable instruments. enfinium will strive to ensure that the value of the Eligible Green Assets matches or exceeds the balance of net proceeds throughout the life of the Green Financing

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REEN FINANCING FRAMEWORK

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## Reporting

enfinium is committed to being transparent and will provide an Allocation and Impact Report (the "Impact Report") with respect to the Eligible Green Assets one year from the initial Green Financing, to be renewed annually.

## Allocation and impact reporting

#### In the Impact Report, enfinium will disclose:

- Eligible Green Assets financed/refinanced in the preceding 12 months
- Portion and amount of net proceeds allocated to each Eligible Green Asset within each Eligible Green Category
- Portion of net proceeds used for financing or refinancing
- The balance of unallocated proceeds invested in cash/cash equivalents/equivalents marketable instruments

#### The Impact Report may provide Key Performance Indicators ("KPIs") such as (but not limited to):

Category	Impact Measurement Metrics
Pollution prevention and control	<ul> <li>Total GHG (tCO<sub>2</sub> equiv.) avoided annually</li> <li>Annual amount of waste diverted from landfills (in tonnes)</li> <li>Amount (in tonnes) of IBA treated annually</li> <li>Amount (in tonnes) of metals recycled annually from the EfW facility</li> <li>Amount of energy (in MWh) generated from the EfW facility</li> <li>% of biogenic content in waste processed</li> <li>R1 value</li> </ul>
	<ul><li>Recycling rate in each Local authority</li><li>Calorific Value of waste</li></ul>
Energy efficiency	<ul> <li>Total GHG (tCO<sub>2</sub> equiv.) reduced annually</li> <li>Electricity used per tonne of waste processed (kWH per tonne)</li> </ul>
Renewable efficiency	<ul> <li>Amount of renewable electricity (MWh) produced annually</li> </ul>

enfinium will continue to produce this report until 100% of net proceeds have been allocated to the Eligible Green Assets. The report will be updated to reflect subsequent Green Financings/Refinancings.

## Communication to investors and financiers

Reporting will be shared directly with enfinium's Green Finance Instrument financiers. In the event enfinium issues a listed investment such as a bond/note as a Green Finance Instrument, such reporting will also be made publicly available on the enfinium website.

## Other sustainability reporting

From 2021, and in addition to the Impact Report, enfinium will publish a separate annual ESG and Sustainability Report to communicate progress in relation to the delivery of the ESG Strategy, objectives, and environmental impact of the Eligible Green Assets.



Further, enfinium will publish a specific Carbon Report highlighting the contribution of the business to the de-carbonisation of the waste management and energy generation sectors and the overall progress towards net zero carbon.

## **External Review**

As per guidance under the GLP and GBP, enfinium's Green Financing Framework has been reviewed externally by DNV.

enfinium will engage an appropriate external assurance provider to independently assure the annual green reporting and its conformity with the enfinium Green Financing Framework.

When required enfinium will obtain independent verification from an external verifier for issuances made under this Framework.



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