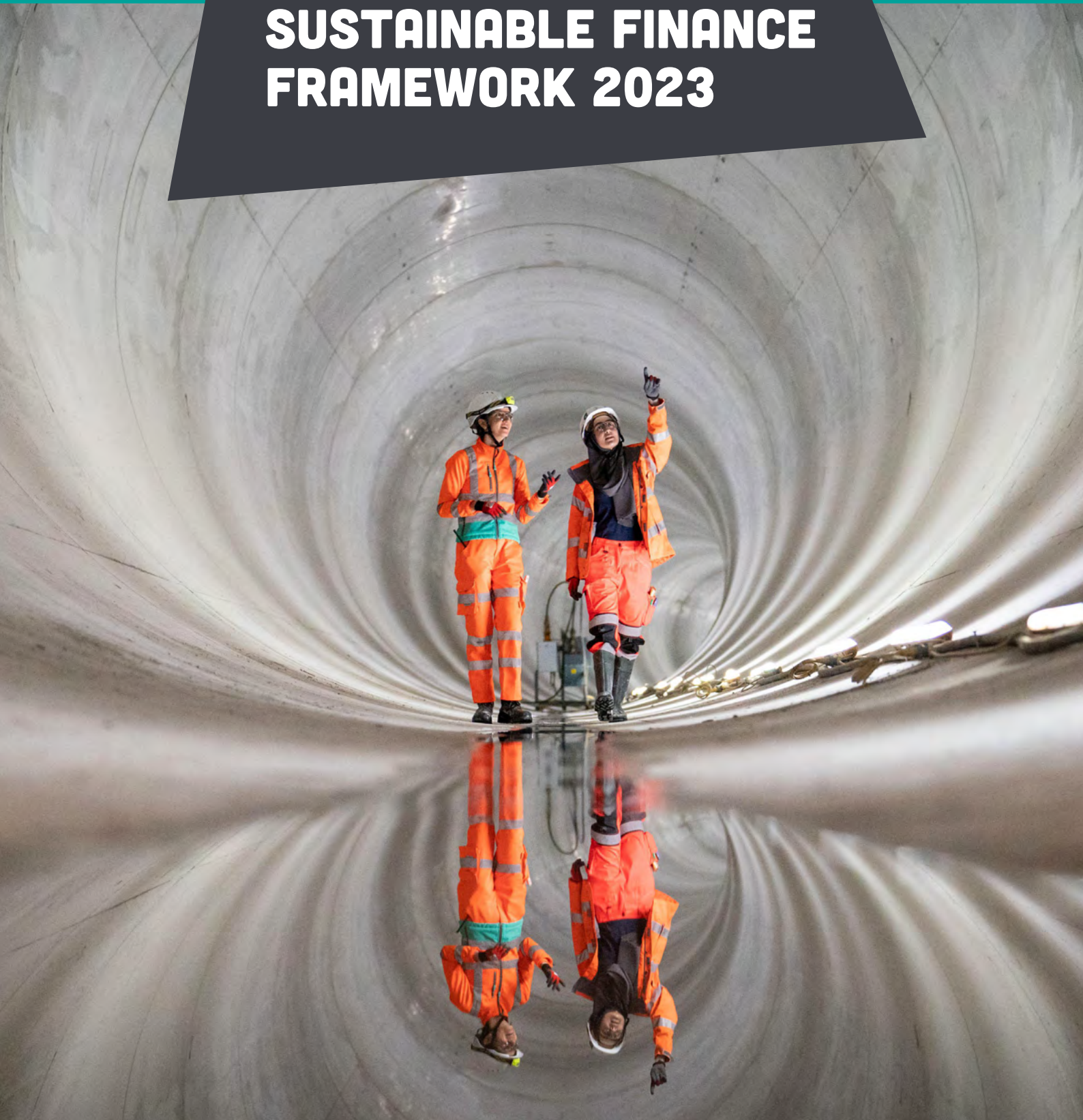




Tideway

SUSTAINABLE FINANCE FRAMEWORK 2023



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INTRODUCTION

The Thames Tideway Tunnel will be a major new sewer in London, which is urgently needed to protect the tidal River Thames from pollution.

It is being delivered by Tideway, an independent regulated company. Bazalgette Tunnel Limited (BTL, trading as Tideway) and its financing associate Bazalgette Finance plc (BFP) have developed a Sustainable Finance Framework (the “Framework”) under which they can raise debt to support the financing and/or refinancing of assets and expenditures of a sustainable nature across its activities.

Tideway began operating as an independent regulated infrastructure provider in August 2015 when Ofwat awarded the licence to design, build, finance, commission and maintain the Thames Tideway Tunnel. The Tideway Sustainable Finance Framework supports the financing of the construction of the Thames Tideway Tunnel. Tideway is a ‘pure-play’ entity, deriving all its revenues from green assets, i.e. the tunnel currently under construction. It also aligns the group’s financing with the company’s legacy commitments and with the United Nations Sustainable Development Goals.

The Framework follows with the International Capital Market Association (ICMA) Green Bond Principles and the Loan Market Association (LMA) Green Loan Principles, both comprising of four key components:

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

The Framework is also aligned with the LMA Sustainability Linked Loan Principles based around the following five core components:

1. Selection of key performance indicators (KPIs)
2. Calibration of sustainability performance targets (SPTs)
3. Loan Characteristics
4. Reporting
5. Verification

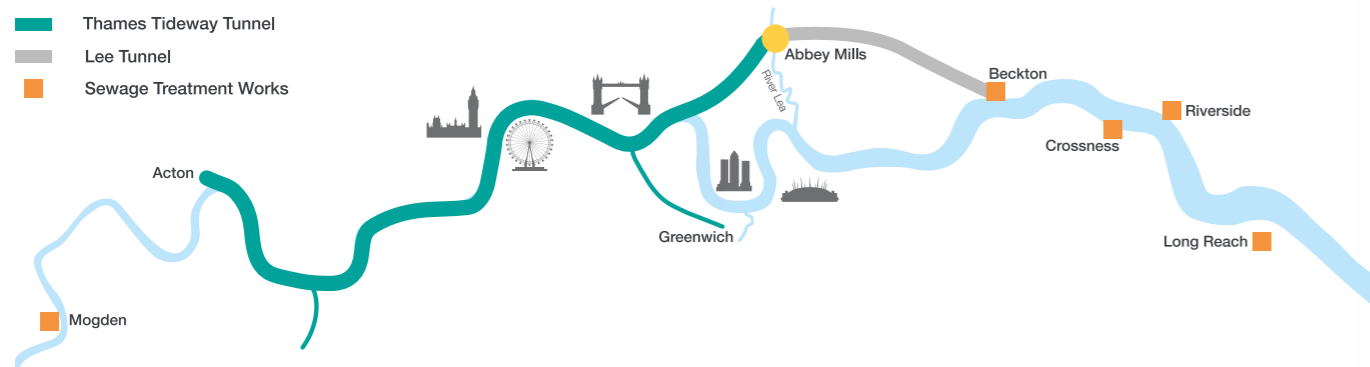
This Framework updates our Sustainable Finance Framework from 2022 and encompasses an array of funding instruments that may be issued:

- Committed Facilities (revolving and term debt from banks and institutional investors)
- Green Bonds
- Private Placements (including US Private Placements).

This Framework is reviewed on a regular basis and such review may result in this Framework being updated, amended and re-published. The updates may reflect Tideway’s progress on project and legacy delivery or external factors including updates to sustainable finance market practice such as ICMA or LMA principles or evolving environmental and social taxonomies, both in the EU and the UK.

TIDEWAY AND THE THAMES TIDEWAY TUNNEL

London relies on a 150-year-old sewer system built for a population less than half its current size. As a result, millions of tonnes of raw sewage overflow the system each year and end up in the River Thames. Tideway is building the tunnel to tackle the problem for at least the next 100 years, and enable the UK to meet European environmental standards.



London’s sewer network was built by Sir Joseph Bazalgette in the 1860s, to cope with a population of up to four million people.

The system now struggles to serve a city of more than eight million people. This population increase, the higher use of water per head and the loss of green space available to soak up rainfall means that the network is regularly overwhelmed, resulting in discharges into the tidal River Thames via combined sewer overflows (CSOs), which were designed to release excess sewage flows during heavy storms. These discharges have increased from one to two a year in Victorian times to an average of one a week more recently. This results in millions of tonnes of sewage entering the tidal section of the Thames each year.

By intercepting the sewage before it enters the river, the Thames Tideway Tunnel will help prevent the tidal River Thames from being polluted with untreated sewage, which can stay in the river for up to three months before the ebb and flow of the tide finally takes it out to sea.

Construction work for the 25-kilometre interception, storage and transfer tunnel running up to 66 metres below the river is well underway. Our construction programme is almost 90 per cent complete. System commissioning will start in 2024, ahead of full operation and handover to Thames Water in 2025.

25

kilometres long

Travelling from west to east London, the main tunnel will be 25km long. Two connection tunnels will be 4.6km and 1.1km long.

7.2

metres wide

The main tunnel will have an internal diameter of 6.5 metres between Acton Storm Tanks and Carnwath Road Riverside. It will have a 7.2 metre internal diameter at Abbey Mills Pumping Station. The Greenwich connection tunnel will have a 5 metre internal diameter and Frogmore connection tunnel will be 2.6 metres.

66

metres deep

The tunnel falls one metre every 790 metres so it is self-cleaning. Starting from 30 metres deep at Acton Storm Tanks, it will finish 66 metres deep at Abbey Mills Pumping Station.

Starting in west London, the main tunnel generally follows the route of the River Thames to Limehouse, and then continues north-east to Abbey Mills Pumping Station near Stratford. It will then be connected to the Lee Tunnel, which will transfer the sewage to Beckton Sewage Treatment works.

Tideway is constructing the Thames Tideway Tunnel and certain ancillary works required to connect the tunnel to the sewer network. The main tunnel construction has used tunnel boring machines (TBMs) in four drives from three main sites, with two additional connection tunnel drive sites. The main drive sites are located in Fulham, Battersea, and Bermondsey.

Efforts have been made to minimise the disruption to local residents and businesses. Measures taken include building steel acoustic sheds over the excavation sites, which reduces the tunnelling noise; and removing 90 per cent of the excavated material from the main sites by barge to minimise our impact on congestion and air quality.

As part of the London Tideway Improvements Scheme, the tunnel will intercept more than 90 per cent of the sewage discharged into the tidal River Thames every year. The reduction in faecal pollution will make the River Thames cleaner, so it is less likely that recreational users of the river will fall ill. Higher levels of oxygen in the water, due to lower levels of bacteria, will allow the fish populations to flourish. The River Thames is a key nursery area for millions of bass and flounder, which are both very important commercial and recreational angling fish. Species higher up the food chain (birds, porpoises, dolphins, and seals) will also benefit from the abundance of fish. In addition, the Thames Tideway Tunnel will reduce visual pollution by capturing floating sewage litter, including non-degradable wet wipes that accumulate along the slow-flowing parts of the River Thames.

SUSTAINABLE LEGACY AT TIDEWAY

Tideway's commitment to sustainability is two-fold. Firstly, we are building infrastructure that will support London in becoming a more environmentally sustainable and resilient city by preventing sewage pollution within the River Thames, delivering the core benefit of improved water quality. Secondly, we are doing as much as we can to deliver the project and operate our company in a way that is sustainable and have aligned our financing with this dual purpose.

Our approach to sustainability is set out in our [Legacy Plan](#), first published in 2015. The origins of our legacy were set out in the [Sustainability Statement](#), which was submitted as part of our Development Consent Order (DCO) application. The Statement contains 15 objectives under 11 thematic areas used to appraise the sustainability performance of the project. Some of these objectives have been addressed through the planning stage, such as land use, while others will be realised as outcomes of the project during operation, e.g. enhanced river water quality.

Our Legacy Plan details our 54 measurable commitments under five themes that capture the range of opportunities created by the project— Environment; Health, Safety and Wellbeing; Economy; People; and Place. Our legacy commitments are a wide-ranging set, but all of them are intended to ensure we leave a positive and lasting legacy – which is how we define sustainability. We have aligned our commitments to the UN Sustainable Development Goals (SDG) mapping against 10 SDGs and 27 targets. We have identified SDG 6 Clean Water and Sanitation and SDG 11 Sustainable Cities and Communities as our core, long term goals alongside 8 further SDGs that we are positively contributing to during construction. However, construction by its very nature will have negative environmental impacts, even when working towards a positive end result.

Through our legacy commitments, Tideway will bring many associated benefits to London and the rest of the UK: the creation of thousands of jobs, with targets for local workers; improved health, safety and wellbeing standards; and a new upskilled generation of workers to tackle the skills shortage in the industry.

Evaluation of our Legacy performance data has been undertaken through a robust and comprehensive evaluation of the social impact being created by Tideway's Legacy programme. You can read our Social Impact report [here](#). In line with best practice, we appointed a third party to undertake a critical review of our carbon data following the Greenhouse Gas Protocol. This provides us, and our stakeholders, with confidence in our data.

The commitments under each of the five legacy themes and the SDG and associated target that the commitment contributes to, are detailed below.

PROGRESS ON ENVIRONMENT

The Thames Tideway Tunnel will collect sewage before it enters the river and ensure it is properly treated, cleaning up the river for future generations of Londoners. This will also help to prevent fish kills and allow the river to sustain a rich, diverse array of wildlife.

Commitments 1 & 2 are considered core benefits, as set out in the [Cost and Benefits of the Thames Tideway Tunnel 2015](#) update and will not start to be measured until the tunnel is operational. After system commissioning, Tideway will handover these commitments to Thames Water and/or the Environment Agency to monitor and report performance.

We have invested in research to better understand the ecology of the River Thames through our [Thames ecology research programme](#). We are also enhancing biodiversity through installation of biodiverse roofs on some of our kiosks, planting two trees for every one removed and installing nest boxes for birds and bats.

The [Energy and Carbon Footprint Report](#) that was produced for the Development Consent Order (DCO) in 2013 estimated a total carbon footprint in the decarbonised scenario of approximately 838,000 tCO₂e with the principal impact being the greenhouse gas (GHG) emissions arising from the construction of the infrastructure, in particular embodied carbon of materials we are using. Through the tender process our Main Works Contractors (MWCs) identified design and materials choices that reduced our anticipated Scope 3 (embedded) carbon footprint down to ~770,000tCO₂e.

We have aimed to use sustainably sourced, alternative fuels to diesel in our construction plant, including some of our marine barges. The benefits of fuels like hydrotreated vegetable oil (HVO) rather than diesel include improvements in local air quality.

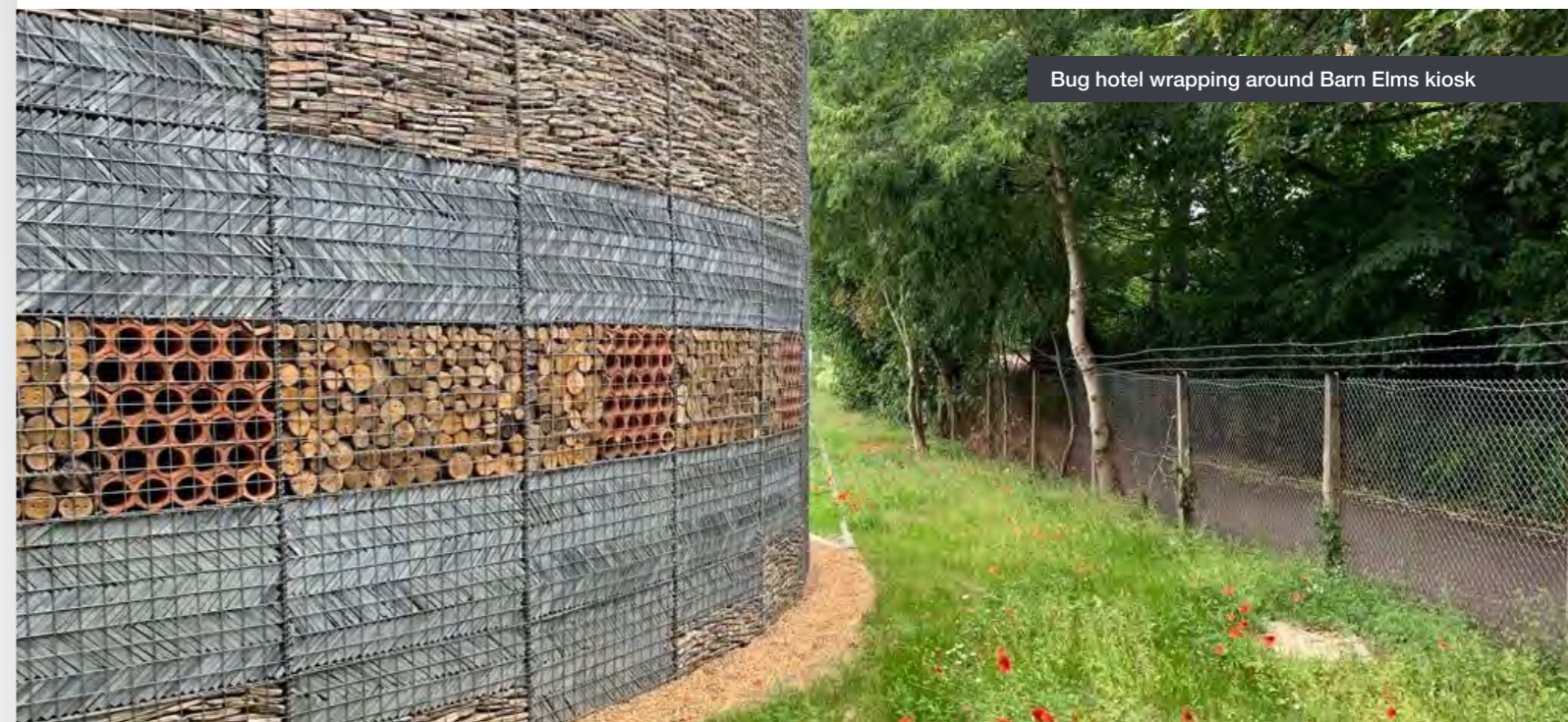
Legacy commitment 6 relates to reducing lorry movements and is closely linked with our More by River Strategy which has maximised the use of the river to import materials and export waste (refer to Economy section). Using the river for import and export, reduces congestion, improves air quality on the road network and increases safety for other road users by limiting HGV movements. Under our development consent order (DCO) there is a requirement to achieve a 53% reduction in the number of vehicle movements under the All by Road scenario i.e. road only, no river use. That 53% reduction has set a target of 478,240 two-way HGV movements, and legacy commitment 6 aims to come under this target.

Objective 1: Protect and enhance the environment

1. Improve water quality and reduce bio-chemical oxygen demands in the tidal Thames by dramatically reducing CSO discharges into the river
2. Reduce adverse litter conditions
3. Provide infrastructure that supports more resilient biodiversity
4. Undertake and support research to aid understanding of habitats and aquatic ecology of the River Thames
5. Minimise carbon footprint
6. Reduction in lorry movements on the project further than the reductions agreed in the DCO



This table illustrates the commitments under Environment, the SDG and associated target that the commitments contribute to.



PROGRESS ON HEALTH, SAFETY AND WELLBEING

Keeping everyone working on the project safe, healthy and happy is a fundamental philosophy at Tideway. We do things safely, or not at all. Our aim is to think differently, and in so doing, create and live by standards that transform health, safety and wellbeing (HSW) for major construction projects.

We strive for no major injuries or significant incidents as a result of our activities. RightWay is our approach to establish a working environment that allows individuals to plan ahead, challenge, continually strive to do things better and reinforce a positive HSW culture through effective leadership.

Our aim is to maintain a focus on Health and Wellbeing to achieve relative parity with Safety and to minimise and mitigate any health risks arising from our work, whilst supporting the wider health and wellbeing of our workforce.

Supporting positive mental health is a major driver for the project. Tideway has taken several initiatives, including supporting the Mates in Mind construction charity; training mental health first aiders; establishing mental health first aider networks; and delivering mental health-focused briefings. Tideway's Transforming Health and Safety Group (THSG) set up the Mental Health Working Group (MHWG) with the sole purpose of gaining insights from the business to help inform what actions we needed to take, both now and in the future, to improve mental health at Tideway and wider industry.

EPIC, our immersive induction programme, set out to make Tideway the safest and healthiest project yet. Everyone working on Tideway, but also other interested parties, can attend EPIC. Through EPIC we aim to be transformational and to help improve health and safety across the construction sector.

Tideway is committed to ensuring the safety of those outside our site hoardings in the same way as we do for those working inside, which is reflected in Legacy commitment 11: [Introduce industry-leading initiatives](#) to reduce the risk to vulnerable road-users arising from vehicle movements. Four initiatives were developed to support this commitment, including the introduction of industry-leading initiatives relating to road safety standards, driver induction and training and lorry design to make things safer for those travelling on London's roads.

Objective 2: Raise standards and performance in health, safety and wellbeing

- 7. Aspire to have no major incidents on the project
- 8. Raise the standard of health, safety and wellbeing inductions
- 9. All supervisory staff trained in health and safety to a level above industry norms
- 10. Promote new industry occupational health standards and working practices
- 11. Introduce industry-leading initiatives to reduce the risk to vulnerable road-users arising from vehicle movements
- 12. Introduce a health and safety communication standard across the project
- 13. Improve health and safety on the river for river transport workers

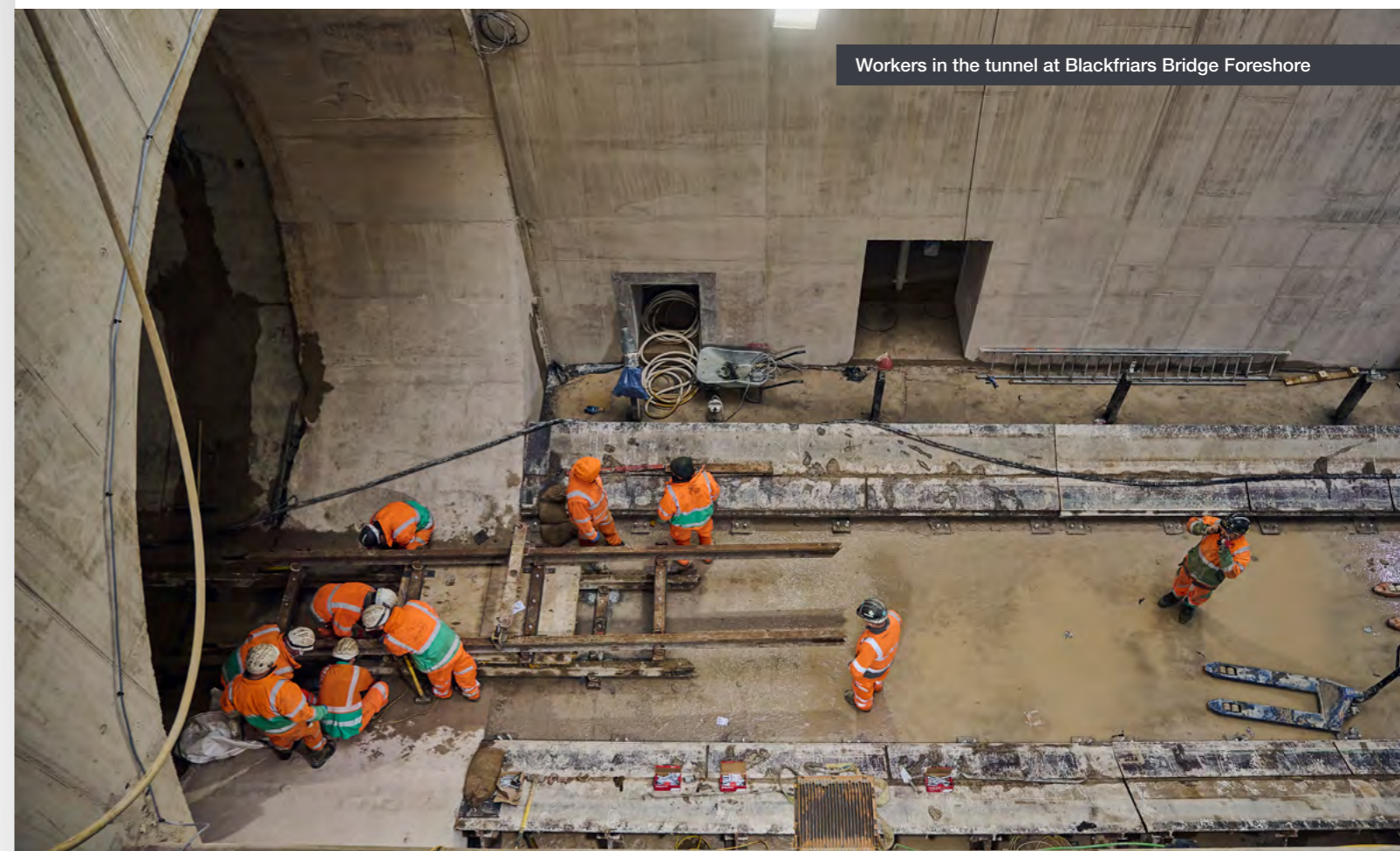


3.9



11.2, 11.6

This table illustrates the commitments under HSW, the SDG and associated target that the commitments contribute to.



Workers in the tunnel at Blackfriars Bridge Foreshore

PROGRESS ON ECONOMY

A modernised sewerage network underpins the capital's general economic prosperity. The economic benefits will be felt across many areas.

Supporting the UK economy through employment, training and procurement is key to Tideway. Our support includes engagement with local businesses, small and medium sized companies and social enterprises, helping them to grow their skills and opportunities and tracking where the Tideway pound is spent with the aim of investing across the 12 UK regions and across our 14 London boroughs. In addition, our support for the Thames Skills Academy (TSA) has been central to delivering on our legacy commitments to improve safety for river workers and support river transport-related skills. The TSA delivers high-quality training, developed to meet the bespoke needs of the Thames and other inland waterways, to a new generation of river workers, providing transferable skills to subsequent projects and roles.

The aim of More by River, Tideway's Sustainable Transport Strategy, is to use the river to transport more components and remove more excavated material by river than originally planned in our Development Consent Order, thereby limiting pollution, congestion and protecting cyclists and pedestrians.

To Tideway, ethical supply chain practices include making sure that: everyone on the project is paid the London Living Wage (LLW) as a minimum; our SMEs are paid within 30 days of invoice; staff have job security by working under contracts; and our materials are responsibly sourced. To demonstrate our commitment to ethical sourcing practices Tideway has a Modern Slavery and Human Trafficking Statement. We hold a Modern Slavery and Ethical Procurement Working Group with the Main Works Contractors and their supply chain and are signatories to the Gangmasters and Labour Abuse Authorities (GLAA) Construction Protocol.

In terms of responsible sourcing of materials, we have included a requirement within our Works Information that 100% of our key building materials (cement, aggregates, steel) must be responsibly sourced and all timber FSC and/or PEFC certified.

Objective 3: Improved competitiveness and vitality for London

- 14. Provide London's essential infrastructure through an enhanced sewerage system that supports growth
- 15. Remove the immediate risk of EU imposed infraction fines
- 16. Create more than 4,000 direct, sustainable jobs
- 17. Create a visible, informed and engaged supply chain that can compete for contract opportunities
- 18. Demonstrate Tideway is supporting the UK economy

Objective 4: Contribute to the rejuvenation of London's river economy

- 19. Use river transport to re-move the majority (90 percent) of material excavated to create the main tunnel
- 20. Support the development of river transport related skills through Thames Skills Academy
- 21. Encourage modernisation of marine equipment through our procurement process
- 22. Seek opportunities to support the continued use of river infrastructure, such as enhanced river walls

Objective 5: Improving the UK's exportable knowledge base; encourage innovation

- 23. Engage with local businesses, small and medium sized companies and social enterprises, helping them to grow their skills and opportunities
- 24. Offer sustainable employment either through retention and progression on Tideway or through transition from and to other major projects
- 25. Continue to support the Tunnelling and Underground Construction academy (TUCA)
- 26. Share our innovations with the industry so they can benefit future projects
- 27. Design a procurement approach that will encourage innovation
- 28. Create commercial arrangements that encourage innovation and shared risk
- 29. Deliver the principles of the Fair Payment Charter
- 30. Support ethical sourcing practices in the supply chain



This table illustrates the commitments under Economy, the SDG and associated target that the commitments contribute to.



Barges on the River Thames

PROGRESS ON PEOPLE

The project has created significant opportunities to boost local employment and prosperity within London.

We aim to provide local employment opportunities and create a culture where you can bring your whole self to work within an inclusive, diverse environment. In parallel we aim to inspire the next generation through our science, technology, engineering, mathematics (STEM) engagement programme and provide apprentice opportunities. We know that everyone needs a second chance, or some are seeking a new career path, so we reach out to people who are previously workless, people returning to work after a career break and to people with convictions, to provide work experience and job opportunities.

Offering and supporting individuals through an apprenticeship has been a key aspect of our People theme.

We are committed to gender equality and encouraging women into our industry, which was reflected in our partnership with Women into Construction (WiC), who we supported on a range of programmes and employment opportunities.

Tideway’s STEM engagement programme aims to widen the skills and employment legacy we leave through our jobs, apprenticeships and training by inspiring the next generation of engineers and construction workers to come into the industry.



Tideway staff cycling in the tunnel

Objective 6: Increase prosperity, local employment and workforce diversity

- 31. At each drive site, 20 percent of employees will live in the local Borough
- 32. 20 percent of the workforce across each main works contract area (West, Central, East) to live in the local boroughs within that area
- 33. 25 percent of all staff to live in 14 directly affected local Boroughs
- 34. 30 percent of river workers to live in Greater London, Kent or Essex
- 35. Support the London Living Wage campaign
- 36. Appoint skills managers to establish employment brokerage
- 37. Promote job security through direct employment in our supply chain
- 38. Employ local workless people—those who are unemployed, economically inactive, claiming particular benefits such as Employment Support Allowance, and those under-employed (working fewer than 16 hours per week)
- 39. Create an inclusive environment that will enhance diversity across Tideway specifically for Disability, Black, Asian and Minority Ethnic (BAME), Lesbian, Gay, Bisexual, Transgender, Questioning (LGBTQ), Gender (women) and aim to set new standards for the industry

Objective 7: Inspire and upskill a new generation

- 40. Create apprenticeship opportunities, one for every 50 full-time workers on the project
- 41. Champion the promotion of careers in engineering and construction, including a minimum of one volunteer hour per annum for every three staff employed on site to support the project STEM Ambassador (or equivalent) programme
- 42. Provide teaching and learning resources
- 43. Work with charity partners to employ one person with convictions per 100 workers on the project

Objective 8: Greater wellbeing for all, improved health for all users

- 44. A significant reduction in health risks from waterborne pathogens
- 45. Inspire people to engage in river activities and support events that will help people reconnect with the river



This table illustrates the commitments under People, the SDG and associated target that the commitments contribute to.

PROGRESS ON PLACE

Our Place theme aims to create new areas of public realm and connect the capital's residents and visitors with the river more closely than is currently possible. It also aims to bring community cohesion by being a responsible business, a good neighbour and to support the communities in which we work.

We aim to create three acres of new foreshore in the public realm, enhance the Thames Path by reopening sections currently closed to the public and give people with reduced mobility the opportunity to connect with the River Thames in a way that has not previously been possible. The new foreshore public realm sites will have new names which are based on the lost rivers. The names have been confirmed as Bazalgette Embankment, Putney Embankment; Carnwath Riverside; Chelsea Quay; Heathwall Quay; Effra Quay & Isle of Effra (Albert Embankment Foreshore); Tyburn Quay (Victoria Embankment Foreshore). For the new public realm, the site names will feature on some of the new river walls, threshold strips on the sites, gates and railings and on the signage and wayfinding micrototems. The micrototems will have, in addition to maps

and directions, information about the project, the tunnel route map, the engineering, the ecology, the heritage and the artworks.

We committed to making investments close to our sites in partnership with residents and community groups. We pledged to work with them to deliver projects that bring people together within those communities and to support the investments with a significant volunteering programme. Under legacy commitment 54 we had three pan-London partnerships designed to support our vision to reconnect Londoners with the Thames; Thames Active Row with London Youth Rowing; the Thames Discovery Programme with the Museum of London Archaeology and Thames River Watch with Thames 21.



Computer generated image of Blackfriars Bridge Foreshore once works are complete

Objective 9: Improved public realms

- 46. For every tree displaced by the project, plant two new ones
- 47. Create three acres of new foreshore in the public realm
- 48. Enhance the Thames Path, reopening sections currently closed to the public
- 49. Give people of reduced mobility the opportunity to connect with the River Thames in a way that has not previously been possible
- 50. Use a Heritage Interpretation Strategy and Public Art Strategy to create memorable, integrated site-specific artworks responding to, and referencing, the history of the site and wider narrative of the Tidal Thames and enrich Tideway's public realm legacy
- 51. Collaborate with other developers to enhance local space, where our activities overlap with other local developments
- 52. Develop sustainable strategies for the long-term management and maintenance of new public realm

Objective 10: More cohesive communities

- 53. Deliver and fund community investment that will support local communities and where possible encourage members of that community to come together
- 54. Deliver and fund pan-London community investment activities which bring communities together from across the capital



This table illustrates the commitments under Place, the SDG and associated target that the commitments contribute to.

GREEN BOND AND GREEN LOAN PRINCIPLES

Tideway's Framework is aligned with the four core components of the ICMA Green Bond Principles and LMA Green Loan Principles, both a set of voluntary process guidelines that recommend transparency, disclosure and reporting.

Use of Proceeds

Tideway is a regulated infrastructure provider restricted by its licence to designing, constructing, owning and financing the tunnel. The tunnel will prevent millions of tonnes of sewage from overflowing into the River Thames leading to a substantial improvement in the ecology of the river. The net proceeds from the issuance of Green debt instruments will be used to finance the construction of the Thames Tideway Tunnel. All Tideway's revenues are derived from the tunnel currently under construction. This asset falls into the Green Bond Principles use of proceeds for 'pollution prevention and control' and 'sustainable water and wastewater management' as published by the ICMA in 2023.

Process for Project Evaluation and Selection

A full-length tunnel solution was selected by Government as the most timely and cost-effective solution to tackle the tens of millions of tonnes of untreated sewage that discharge into the tidal River Thames every year.

The Thames Tideway Strategic Study was set up in 2000 to investigate the environmental impact of combined sewer discharges into the tidal River Thames and to propose potential solutions to dealing with the pollution and ensure compliance with European Union directive on Urban Waste Water Treatment.

The main report published in 2005 led to the tripartite London Tideway Improvements Scheme:

- Improvements to five sewage treatment works

(Beckton, Crossness, Long Reach, Riverside and Mogden), which were completed by Thames Water in 2014. These improvements increased the treatment works capacity and enabled the generation of renewable energy from the sludge that results from the treatment process;

- The Lee Tunnel, which became operational in January 2016, collects excess storm flows to prevent discharges at Abbey Mills CSO and stores the captured flow until it can be treated at the upgraded Beckton STW; and
- The Thames Tideway Tunnel. The study considered a number of alternatives, including rebuilding and separating the combined sewerage system and sustainable drainage systems.

These are discussed in a report published by the Department for Environment Food & Rural Affairs (Defra) in October 2015: 'Creating a River Thames fit for our future: an updated strategic and economic case for the Thames Tideway Tunnel', which also describes the economic benefits of the project.

The social and environmental risks were identified as part of the DCO process during the application stage as described above in the Sustainable Legacy section. Some of the risks were addressed during the design stage (e.g. the TTT was designed to be resilient to climate change and population growth in London until the 2080s – please refer to our latest Sustainability Report which includes our Climate-related Financial Disclosures report).

The risk analysis process led to the setting of a number of social and environmental objectives in the DCO and Section 106 agreement, which were codified in our Legacy Plan (discussed above) which sets out targets for delivering a sustainable legacy. The Main Works Contractors are required to report on a quarterly basis on many of these commitments, which we then use to report performance in our annual Sustainable Finance Report against each commitment, detailing the measure, target and performance.

Our performance is reviewed quarterly by the Vision, Legacy and Reputation committee and twice a year with the Health, Safety, Wellbeing and Environment (HSSE) Board committee.

Tideway benefits from an ESG evaluation by S&P Global Ratings, an assessment of a company's ESG strategy and ability to prepare for potential future risks and opportunities.

A Social Impact Assessment of Tideway's Legacy programme was concluded in 2023. The assessment is a robust and comprehensive 3rd party evaluation of the social value being created by Tideway's Legacy programme. Our Social Impact Report can be found [here](#).

Management of Proceeds

The proceeds from Green debt instruments will be deposited into Tideway's sole operating bank account and drawn to fund the project construction activities. During construction Tideway aims to hold in excess of 12 months of liquidity. Whilst in the operating account, the funds will be managed by Tideway's Treasury team in accordance with the company's investment management policy that aims to preserve capital and liquidity. Funds are invested in deposits with the company's relationship banks and/or in liquid money market funds. Funds are disbursed to pay for Allowable Project Spend, as defined in the licence, which is the cumulative expenditure incurred with the Thames Tideway Tunnel and that will constitute the regulatory capital value. The Allowable Project Spend is calculated by the company and verified on a monthly and quarterly basis by the Independent Technical Assessor

(ITA), appointed in connection with the Liaison Agreement, establishing a Liaison Committee.

The Liaison Committee was created to oversee the delivery of the project and is made up of senior representatives from each of the parties to the project: Tideway, Thames Water and Defra. The Committee meets quarterly, with representatives from the Environment Agency (EA) and the water regulator, Ofwat, attending as observers. The engineering consultancy firm Mott McDonald was appointed as the ITA for the project, with a duty to review, evaluate, comment, verify and advise as applicable the members of the Liaison Committee and Ofwat on Tideway's assessment of project costs, quarterly reports to the Committee, and such engineering and other technical issues that may arise as the project progresses.

Reporting

Allocation Reporting

Allocation Reporting will be provided to investors within one year from the date of a green debt issuance until full allocation of proceeds. The proceeds will be allocated to finance or refinance Allowable Project Spend and will be drawn to fund the design and construction of the tunnel. This information is being reported in our annual Sustainable Finance Report.

Impact Reporting

The impact reporting will cover the construction and acceptance and the operational phases of the project. Tideway will report at least annually as part of integrated reporting or in a separate report that will be published on Tideway's website.

This is done through our Sustainability Report published annually. Tideway and Thames Water agreed with Defra and the Environment Agency on what and how to report against the economic, environmental and social benefits stated by Defra at the outset of the project. This includes pre and post operational phase benefits.

Construction and acceptance phase reporting

- The expected environmental and economic benefits of the tunnel remain as per the original DCO until the tunnel is built:
 - In a typical year, for 2006 conditions, the tunnel will reduce polluting discharges by circa 16 million cubic metres (avoided and captured for treatment); and
 - The three components of the London Tideway Improvements work conjunctively to reduce discharges in a typical year by about 37 million cubic metres.
- Tracking of legacy commitments, including the impact of construction activities:
 - Tideway set-up a number of KPIs designed to measure the tunnel’s environmental performance and, in doing so, the efficiency of the environmental management system during the construction phase and also the office activities; and
 - The project has made a number of public commitments that were included in the DCO application and other supporting documents. These have informed the development of the KPIs and the headline DCO commitments.

River Transport Strategy	<ul style="list-style-type: none"> • At least 90 per cent of specified materials to be transported by river
The Excavated Material and Waste Commitments	<ul style="list-style-type: none"> • Divert at least 80 per cent of construction and demolition waste from landfill • Beneficially use at least 85 per cent of non-hazardous excavated material
Design Principles	<ul style="list-style-type: none"> • Regarding net increase in trees and the provision of bird and bat boxes
Code of Construction Practice (CoCP)	<ul style="list-style-type: none"> • The CoCP sets out a series of measures and controls to be applied throughout construction to mitigate the potential impact of site activities on the natural and historic environments, amenity, wellbeing, health and safety of local residents, road users and traffic flow, businesses and the public
Heritage Statement	<ul style="list-style-type: none"> • Heritage management plan for each site which will include monitoring of heritage assets
Energy and Carbon Footprint Report	<ul style="list-style-type: none"> • This sets out the estimated carbon footprint of the project and highlights the project’s aims to maximise energy efficiency and minimise the carbon footprint of the project
Sustainability Statement	<ul style="list-style-type: none"> • This sets out objectives to deliver the project sustainably
Legacy Strategy	<ul style="list-style-type: none"> • This re-confirms a number of the commitments in the DCO and sets legacy targets regarding public realm improvements, such as enhancing ecology with two trees planted for every one displaced

Tideway’s annual Sustainability Report provides an update of progress against the legacy commitments within our Legacy Plan.

Operational Phase

The operational phase will start with the acceptance of the tunnel by Thames Water to operate, following which Tideway will be responsible for the maintenance of the tunnel and shafts. During this stage and as long as green debt instruments are outstanding, reporting will include the amount of raw/untreated wastewater discharges avoided and captured by treatment by the tunnel.

Where applicable, Tideway will report in accordance with the Handbook on Harmonized Framework for Impact Reporting published by the Green Bond Principles, in particular ‘Core Indicator B. Wastewater Treatment Projects, #2) Annual amount of raw/untreated wastewater discharges avoided’. The indicator is the annual absolute (gross) amount of wastewater discharged before and after the project in m3 per annum and as a percentage.

The Operation and Maintenance Agreement between Tideway and Thames Water stipulates that Thames Water will ‘collect, collate, analyse and report on CSO event monitoring data and will ensure that the level and flow monitoring associated with residual CSO discharge and CSO bypass pumping is logged and reported to the Environmental Agency as required by the Environmental Permit and the Operating Techniques’. Tideway will receive this information as part of the Operation and Maintenance Agreement reporting. The Operating Techniques were agreed between the Environment Agency and Thames Water in 2012 and describe the principles of how the London Tideway Tunnels (the Thames Tideway Tunnel and the Lee Tunnel) will be operated to limit combined sewer overflow discharges to the tidal River Thames. It also provides the methodology and specifications with respect to the spill event monitoring of CSOs to be undertaken for frequency and duration of flows discharged.

The methodology and assumptions of the impact indicator described above will be updated at the start of operations should there be changes to the Operating Techniques between Thames Water and the Environment Agency. The data is provided by Thames Water, which is independent from Tideway and monitored and verified as required by the Environment Agency, one of Tideway’s regulators, strengthening the independence of the reporting process.

External Review

S&P Global Ratings provides a Green Evaluation, which provides a relative green impact score on debt instruments financing environmental beneficial projects and a second opinion aligned with the Green Bond Principles. The Green Evaluation is provided for Tideway’s bond programme and to bond series issued under the programme. The Framework and the Green Finance Second Opinion are published on Tideway’s website.

SUSTAINABILITY LINKED LOAN PRINCIPLES

Tideway's Framework is aligned with the five core components of the LMA Sustainability Linked Loan Principles, a set of voluntary process guidelines that recommend transparency, disclosure and reporting.

Selection of KPIs

The Tideway project will clean up the River Thames for generations to come by building a 25km tunnel to intercept millions of tonnes of raw sewage that pollute the river every year. As well as building the tunnel, Tideway aims to deliver a wider legacy for London, maximising the benefits the project can offer and supporting the company's vision to 'reconnect London with the River Thames'.

We want people to enjoy the Thames in their leisure time, participating in water sports and appreciating the foreshores, views and walks. It is not just what we do that is important to us, but how we do it. With a greater commitment to sustainability, innovation and safety, our aim is to transform the way the industry operates. In particular, we want to see a step change in the health and wellbeing of everyone working on the project, as well as those that we engage with, local residents and our partners and stakeholders. We bring our values to life every day, whether that is through our focus on safety and wellbeing in the workplace, volunteering with our charity partners, engaging local residents on what we are doing or supporting people to develop skills and find employment. This has been outlined in the project's public Legacy Plan.

As described in the Sustainability section above, our commitments have evolved into 54 metrics within our Legacy Plan under five themes that capture the range of opportunities created by the project — Environment; Health, Safety and Wellbeing; Economy; People; and Place. We are maintaining a high standard of overall performance against the Legacy commitments, which are monitored and reported regularly. We

have mapped our Legacy commitments against the UN SDGs and this Framework highlights the UN SDGs where we expect to make a significant contribution.

These 54 Legacy commitments form the basis of the SPTs used for the sustainability linked loans and, specifically, the KPI used to demonstrate our commitment to improving our sustainability profile over the term of the loan. Using this approach our sustainable financing strategy is clearly aligned to the Company's sustainability mission and its Legacy commitments in particular, and will build on a process and strategy that the company fully associates itself with and what has been its core sustainability purpose since the outset of the project.

Calibration of SPTs

The company has set itself the target to have at least 85 per cent of the live Legacy Commitments on track. Some of the 54 metrics have already been achieved and retired, while others will become active as the project progresses. Some of the active legacy commitments are:

Our legacy programme previously targeted at least 75 per cent of the Legacy Commitments which are live at the time of calculation being on track. This target was revised to 85 per cent in 2021 to set a more ambitious KPI in our legacy programme and this was also reflected in the KPI in the Company's sustainable financing. This updated target acts as a strong stimulus for the company to continue to focus on the long-lasting benefits from the project and keep creating a healthier and more sustainable future for London.

Tideway's legacy commitments

Environment	<ul style="list-style-type: none"> • Minimise carbon footprint • Reduction in lorry movements
Health, Safety and Wellbeing	<ul style="list-style-type: none"> • EPIC
Economy	<ul style="list-style-type: none"> • Supporting the London and UK economy • Fair Payment Charter
People	<ul style="list-style-type: none"> • London Living Wage • Local employment • Creating an inclusive environment
Place	<ul style="list-style-type: none"> • Two for one tree replacement • Arts and Heritage Strategy • Creating new areas of public realm

Loan Characteristics

Tideway currently has one sustainability linked loan which includes the agreed sustainable KPI which is the meeting of at least 85 per cent of the live Legacy commitments. The credit margin on the facility is reduced if the performance target is met.

Reporting

Tideway reports extensively on its performance on the legacy commitments in the Annual Report and the Sustainability Report so the information relating to the KPI is made publicly available at least once a year. The methodology and any assumptions relevant to the calculations of the KPI are clearly explained in our reporting.

Tideway's performance on the Legacy commitments is shared regularly with the Environment Agency and Defra, and semi-annually with the HSSE Board Committee which provides strategic leadership on legacy, environmental and sustainability issues.

Verification

Tideway's existing sustainability linked loan was set up pre-2021 so is not subject to the requirement introduced in May 2021 for an independent external verification of Tideway's performance against the relevant target.

Tideway, however, has developed a robust internal process to validate the calculation of its performance against the KPI.

Legacy information from across the three contract areas of the project is compiled into a standardised reporting workbook by assigned Legacy Managers within each Main Works Contractors Joint Venture (MWC JV) and submitted to Tideway on a quarterly basis for assurance in line with our Financial Reporting calendar. 191 data points are collated and submitted by the MWC JVs, covering all areas of our Legacy Programme. Tideway Subject Matter Experts (SMEs) formally review the data and raise any comments with the MWC JVs for them to respond to and address as required.

Once Tideway has reviewed and accepted the data as accurate, the data is collated into Tideway's Data Warehouse and automated reports are generated using predetermined calculations. The reports are subject to internal review and verification by Tideway's Regulation and Finance departments and are shared with Defra and Environment Agency quarterly and with Tideway's Board semi-annually. The results from the review are included in Tideway's Annual Report and Sustainability Report.

An independent assessment of the social value of our Legacy commitments conducted in 2017 showed that the anticipated return on investment for every Tideway pound spent was approximately £3.39. A further Social Impact Assessment of Tideway's Legacy programme completed in 2023 produced robust social cost benefit analysis of our legacy programme beyond the core environmental benefits that the tunnel will deliver and concluded that £1 invested by Tideway produced £1.72 of social value. The assessment is a critical and comprehensive third-party evaluation of the social value being created by Tideway's Legacy programme.

At the end of FY22-23 we completed our third party critical review of our Scope 3 (embedded) carbon data following the Greenhouse Gas Protocol. The verification process did not uncover any 'material' issues and has provided us with certainty in the robustness of our data.



Tideway's Loo Gardens installation

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