



Enwave Green Financing Framework

May 2021

Overview

Enwave Canada Investment Holdings 2 Inc. (“Enwave” or the “Company”), inclusive of Enwave Energy Corporation and its other subsidiaries, is the largest fully integrated district energy services provider in Canada, headquartered in Toronto with operations diversified across four cities: Toronto, London, Windsor, and Charlottetown. The Company provides cooling, heating and power to institutional, residential and commercial buildings, universities, hospitals, government buildings and data centres using proven and sustainable energy systems that generate, store and share different forms of energy throughout the district, delivering benefits of scale, reliability and sustainability to individual buildings.

Cities account for 70% of the world’s energy consumption with almost 50% of the energy being used for heating or cooling buildings. The development of large-scale, modern, climate-resilient district energy systems in cities enables more efficient and cleaner energy solutions as compared to traditional on-site options. Centralized generation allows integration of cleaner technologies that are not feasible at the individual building level (which were traditionally generated using fossil fuel plants). District energy systems are one of the most effective ways to mitigate climate change and transition to such systems, combined with energy efficient measures, could contribute as much as 58% of the carbon dioxide emission reductions required in the global energy sector by 2050.¹

As a leader in sustainability, Enwave strives to implement energy-efficient solutions across its infrastructure platform; from introducing low-carbon technologies, to finding new ways to share and optimize energy use across the networks, and by expanding its district energy infrastructure. Enwave’s production is based on highly cost competitive and low-carbon energy sources, including biomass, Deep Lake Water Cooling, geothermal, geo-exchange, recycled fuels and waste. The Company also looks for waste heat utilization opportunities, including up-cycling of energy, energy storage (e.g., via thermal storage batteries), peak-shifting opportunities and low-carbon solutions prior to generation, thus ensuring Enwave capitalizes on otherwise wasted energy or is able to displace higher carbon-intensive generation and capacity.

IFM Investors and the Ontario Teachers’ Pension Plan Board (“Ontario Teachers”) are the joint owners of Enwave. As responsible investors, both IFM Investors and Ontario Teachers’ have robust environmental, social and governance (“ESG”) practices, including ESG principles adopted by the lead corporate entities and each of its portfolio companies. Enwave’s focus on providing clean, low-carbon energy is well-aligned with the overall responsible investing practices and net-zero carbon emissions pledges made by the joint owners. IFM Investors and Ontario Teachers’ ESG principles and practices can be found on their respective websites.

Enwave has adopted and upholds both IFM Investors’ and Ontario Teachers’ ESG principles. A core responsible investment objective for the joint owners is the long-term strength and sustainability of their investments through environmental stewardship. These principles embody a recognition of the impacts of climate change, as well as the need to invest, engage and drive improvements to reduce net greenhouse gas emissions, and improve the efficient use of resources in the transition to a low-carbon economy.

¹ District energy in cities: unlocking the potential of energy efficiency and renewable energy. United Nations Environment Programme report (2015): https://www.enwave.com/pdf/UNEP_DES_District_Energy_Report_V%C3%98JNC122.pdf.



This aligns with Enwave's core vision of implementing energy-efficient solutions across its infrastructure platform from introducing low-carbon technologies to finding new ways to share and optimize energy use by expanding its district energy infrastructure. Enwave's business as a fully integrated district energy provider of innovative and sustainable district cooling and heating solutions is well aligned with both IFM's climate change management and Ontario Teachers' green investment principles, critically the opportunities that are presented by the energy transition.

Enwave has developed a Green Financing Framework under which Enwave or any of its subsidiaries may issue Green Financial Instruments including Green Bonds, Green Loans, or other financial instruments (hereinafter referred to as the "Green Financing Instruments"). Net proceeds from Enwave's Green Financing Instruments will be used to finance and/or refinance projects in district energy supply and to support the development of clean technologies.

Enwave's Green Financing Framework complies with the Green Bond Principles 2018 developed by the International Capital Markets Association as of June 2018 and the Green Loan Principles (the "GLP") developed by the Loan Market Association as of December 2018. The framework describes:

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

1. Use of Proceeds

The proceeds obtained from Enwave’s green financing program will be used to finance or refinance “Eligible Projects” that will generally fall into the categories outlined in the table below.

Enwave’s look-back period for Eligible Projects is 24 months prior to the date of issuance.

Eligible Project Category	Eligible Investments
Energy Efficiency & Energy Management	<ul style="list-style-type: none"> ▪ Investments that help reduce energy consumption and/or help manage and store energy, including: <ul style="list-style-type: none"> – Highly efficient district energy heating and cooling infrastructure networks that primarily use renewable fuel sources^{2,3} – Investments in equipment and technologies that can be used for district energy heating and cooling infrastructure networks that use renewable fuel sources³ – Energy storage technologies or assets – Waste heat recovery
Renewable Energy	<ul style="list-style-type: none"> ▪ Investments aimed at providing or connecting thermal and grid infrastructure to renewable energy including, but not limited to, biomass, geothermal or geo-exchange <ul style="list-style-type: none"> – Biomass from waste and sustainably-sourced non-waste feedstock⁴ that are expected to result in lifecycle emissions <100 grams of CO₂/kWh, limited to sources which do not compete with food sources or deplete carbon pools – Geothermal projects that are expected to result in direct emissions <100 grams of CO₂/kWh
Pollution Prevention & Control	<ul style="list-style-type: none"> ▪ Investments in equipment, technologies, processes or systems that reduce and/or reuse waste including: <ul style="list-style-type: none"> – Waste-to-energy – Product design/reformulation to eliminate waste and pollution
Sustainable Water & Wastewater Management	<ul style="list-style-type: none"> ▪ Investments in equipment, technologies and systems involved in the process of reducing and managing water use and/or wastewater

Enwave’s Green Financing Instruments can also be used to finance the acquisition, including minority equity participation, of projects if the project derives a minimum of 90% of revenues from activities in the above list of Eligible Project Categories.

² Eligible Projects, including the Deep Lake Water Cooling System, use renewable energy as the primary source, but may directly or indirectly use a minimal amount of fossil fuel for peaking or other purposes. Enwave will exclude fossil fueled projects.

³ Enwave will exclude costs related to the (a) purchase, installation, and maintenance of fossil fuel driven equipment or (b) the purchase of fossil fuels itself from the total Eligible Project costs.

⁴ Waste feedstock includes, but is not limited to, wood chips generated from waste from harvesting operations including material that is not merchantable for saw logs or pulp. Non-waste feedstock should be well-managed from a sustainability-perspective and be certified under an independent, third-party certification scheme.

2. Process for Project Evaluation and Selection

Enwave will appoint a Green Financing Committee (the “Committee”) to review and verify the suitability and eligibility of the green projects that will qualify as Eligible Projects. The Committee will consist of representatives from specialist teams in Sustainability, Finance & Treasury, Engineering, and Operations. Projects identified will be brought to Enwave’s senior management team for final approval.

Projects will be evaluated based on several criteria, including financial, technical/operating, market, legal, health and safety and ESG factors. Underpinning the evaluation process is a focus on providing sustainable energy through investing in new, green and clean technologies and infrastructure that promotes carbon reduction, energy savings and resiliency.

3. Management of Proceeds

The net proceeds from a green offering will be deposited to Enwave’s general account based on the entity issuing the Green Financing Instrument and be earmarked for allocation to Eligible Projects. Enwave intends to utilize net proceeds within 36 months of an offering. Prior to allocation, net proceeds from a green financing may be utilized, in part or in full, for repayment of Enwave’s credit facilities and/or other short-term indebtedness, held in cash or cash equivalents, or for general corporate purposes.

The Company will establish a Green Financing Register to be managed by its centralized Finance department to record all relevant information regarding the issuance of Green Financing Instruments and the allocation of the net proceeds to Eligible Projects while proceeds remain outstanding.

4. Reporting

4.1 Allocation Reporting

Enwave will update investors annually via its website and/or in an annual report in regards to the use of proceeds and the Company’s Eligible Project developments until all proceeds have been allocated. The updates will contain information on the green financing program including a brief description of the Eligible Projects, amounts allocated and the balance of unallocated proceeds. Where feasible, Enwave will incorporate the allocation of proceeds by eligible category.

4.2 Impact Reporting

Where feasible and applicable, the report will include qualitative and quantitative environment impact indicators. Examples of impact indicators that may be included are:

- Estimate of GHG reduction/avoidance
- Decrease in electricity consumption and/or demand
- Installed capacity displaced
- Annual water use reduction



External Review

Enwave has obtained an independent second party opinion from Sustainalytics on its Green Financing Framework indicating alignment with the Green Bond Principles and Green Loan Principles. This opinion is available on [Sustainalytics'](#) website.