



Enwave North America
Green Financing Framework

August 2020

Overview

Enwave North America (“Enwave” or the “Company”), consisting of operating entities Enwave Energy Corporation (“Enwave Canada”) and District Energy Holdings LP (“Enwave USA”), including any related affiliates or subsidiaries of these entities¹, is the largest fully integrated district energy services provider in both Canada and the U.S. with operations diversified across 11 cities: Toronto, London, Windsor, and Charlottetown in Canada and Seattle, Portland, Los Angeles, Las Vegas, Chicago, Houston, and New Orleans in the U.S. 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 2050.²

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, 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.

Brookfield Asset Management (“BAM” or “Brookfield”) is the ultimate parent company of Enwave Canada and Enwave USA (together referred to as “Enwave North America”).³ As parent, Brookfield has robust environmental, social and governance (“ESG”) practices, including ESG principles adopted by the lead corporate entity and each of its portfolio companies. Brookfield’s ESG principles and practices can be found on its website.

¹ Affiliates include Enwave District Energy Finance LLC as the debt issuing entity for Enwave USA Holdings LLC and its subsidiaries: Brookfield District Energy USA, LLC, District Energy Midwest Sub LLC, Enwave West Coast Holdings LLC and BIF II District Energy Holdings III (Delaware) LLC.

² 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.

³ Through the entities that collectively comprise Brookfield Infrastructure Fund I and Brookfield Infrastructure Fund II, together with BAM and its managed vehicles.



Enwave has adopted and upholds Brookfield’s ESG principles. One of these principles addresses environmental stewardship, namely striving to minimize the environmental impact and improve efficient use of resources over time. This principle 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 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 sources⁴– Investments in equipment and technologies that can be used for district energy heating and cooling infrastructure networks that use renewable fuel sources– 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 or geothermal

⁴ Eligible Projects will exclude fossil fueled projects except those Projects that use fossil fuel boilers for limited peaking purposes only. These will be eligible based on a ratio of estimated renewable fuel usage versus fossil fuel usage.

	<ul style="list-style-type: none"> - Biomass from waste and sustainably-sourced non-waste feedstock^{5,6} 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. 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 each of Enwave Canada and Enwave USA’s general account based on the respective 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.

⁵ 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.

⁶ Non-waste feedstocks should be well-managed from a sustainability-perspective and be certified under an independent, third-party certification scheme.

The Company will establish a Green Financing Register for each of Enwave Canada and Enwave USA 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.