



Green Bond Verification

ClearFlowPlus plc

June 2023





The Directors
 ClearFlowPlus p.l.c. (in the process of being converted)
 Water Services Corporation
 Triq Hal-Qormi
 Luqa, LQA 9043
 Malta

13 June 2023

Dear Sir,

Green Bond Verification on the Green Bond Framework issued by ClearFlowPlus p.l.c.

In accordance with the terms set out in our engagement letter dated 23 January 2023 (the 'Letter of engagement'), we have the pleasure in enclosing our Green Bond Verification Report (the 'Report') on the ClearFlowPlus p.l.c.'s Green Bond Framework. Details of the scope and process of our work are set out in the 'Important notice' in Appendix F.

Our report summarises our key findings while carrying out our verification of the Green Bond Framework, in line with the requirements set out in the Malta Stock Exchange (the 'MSE') Bye-Laws Chapter 5, "Additional Conditions for Admission to the Malta Stock Exchange Green Bond List", including the International Capital Market Association (ICMA) Green Bond Principles and Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Our work was completed on 08 June 2023 when our fieldwork and analysis were substantially completed and when our report was presented to you.

This report is confidential and has been prepared exclusively for the Directors of ClearFlowPlus p.l.c. It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent, such consent will only be given after full consideration of the circumstances at the time. We understand that the MSE and MFSA have required a copy of this report, and that a copy of our report will be uploaded on ClearFlowPlus p.l.c.'s website. Consequently, we are consenting that a copy of our report is distributed to both the MSE and the MFSA and uploaded on ClearFlowPlus p.l.c.'s website.

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To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Issuer for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee(s) for any purpose other than in connection with this verification report.

Yours faithfully

Grant Thornton

If you have any questions in respect of this report or its contents, please contact:

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01

Introduction

Basis of assessment

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Basis of assessment

General description of the objective

- Water Services Corporation (henceforth referred to as “the Guarantor”) employs around 1,100 persons and is responsible for and can manage potable water and wastewater collection and treatment in the Maltese islands. Its services are vital to the safe and smooth running of the Maltese Islands and its principal activities are :
 - Water production and distribution - to acquire, produce, distribute and sell water for domestic, industrial and commercial use;
 - Wastewater collection and treatment - to treat and dispose or re-use wastewater;
 - Renewable energy generation - to further reduce the energy costs related to its operations using renewable energy sources.
- In order to achieve these activities, WSC has several pumping stations, reverse osmosis plants, sewage treatment plants, and solar farms around Malta and Gozo. In fact as at 31 December 2022, WSC has €365.7 million of water infrastructure, wastewater infrastructure related assets, integrated utilities business systems and assets under construction.
- The Guarantor holds a licence to (i) supply water through the public water distribution network and (ii) provide sewerage services using the public sewage collection system, issued by the Regulator for Energy and Water Services under the Regulator for Energy and Water Services Act (Cap. 545 of the Laws of Malta) and the Water Supply and Sewerage Services Regulations (S.L. 545.14). Such licence came into force on the 1st January 2019 and shall expire on the 31st December 2023, whereupon it may be renewed.
- ClearFlowPlus p.l.c. (henceforth referred to as “the Issuer”) is in the process of issuing a €25 million Green Bond to finance/refinance sustainable water management projects (henceforth referred to as “the Green Bond”).
- The Issuer is a fully owned subsidiary of the Guarantor, which for the purposes of this report are together referred to as “the Group”.
- Grant Thornton Ltd (henceforth referred to as “GTL”) has been commissioned by the Issuer to provide a Green Bond eligibility assessment on the Green Bond. Our methodology to achieve this is described under the ‘Our Work’ section. We were not commissioned to provide independent assurance or other audit activities.

- No assurance is provided regarding the financial performance of the Green Bond, the value of any investments in the Green Bond, or the long-term environmental benefits of the transaction. Our objective has been to provide an assessment that the Green Bond has met the criteria established on the basis set out below.

Responsibilities of Management of the Group and of GTL

- The following review is based on information and data provided by the management of the Guarantor and the management of the Issuer which were used by GTL. Our statement reflects an independent assessment of whether the established criteria have been met and is intended to inform the Guarantor’s and Issuer’s management and other interested stakeholders in the Green Bond. Our work has relied solely on the information and facts presented to us by the Guarantor and Issuer. GTL is not responsible for any aspect of the projects or assets mentioned in this opinion and cannot be held liable for any incorrect estimates, findings, opinions, or conclusions. Consequently, GTL cannot be held liable if any of the information or data provided by the Guarantor’s and/or Issuer’s management and used for this assessment were inaccurate or incomplete.

Credentials to evaluate

- An accredited external reviewer refers to an assessment and certification institution that meets the criteria outlined in the MSE Bye-Laws. GTL has obtained accreditation from the MSE, confirming its compliance with the stipulated requirements. The MSE website provides a list of all accredited reviewers.
- This report has been prepared by members of GTL’s sustainability working team. The team members’ qualifications and certificates have undergone scrutiny and received approval from the MSE.

Basis of assessment (cont.)

Basis of GTL's opinion

- We have developed an Issuer specific Green Bond Eligibility Assessment Protocol, referred to as the "Protocol" in Appendix B, by adapting our green bond eligibility assessment methodology. The Protocol includes a set of appropriate criteria that form the basis of GTL's opinion.
- According to the Protocol, the criteria used to assess the Green Bond are organised under four Principles:
 - *Principle One: Use of Proceeds.* This Principle requires that an issuer of a green bond uses the funds raised to finance eligible activities that produce clear environmental benefits.
 - *Principle Two: Process for Project Evaluation and Selection.* This Principle requires that an issuer outlines the process it follows to determine the eligibility of an investment using Green Bond proceeds and the impact objectives it will consider.
 - *Principle Three: Management of Proceeds.* This Principle requires that the Green Bond is tracked within the issuing organisation, separate portfolios are created when necessary, and a declaration is made on how unallocated funds will be handled.
 - *Principle Four: Reporting.* This Principle recommends that at least on an annual basis a report is issued to bondholders on: (i) the allocation of the use of bond proceeds until full allocation (through an Allocation Report); and (ii) quantitative and/or qualitative performance indicators should be used, where feasible (through an Impact Report).
- The Protocol has been developed to ensure compliance with the Malta Stock Exchange (MSE) Bye-Laws Chapter 5, "Additional Conditions for Admission to the Malta Stock Exchange Green Bond List", including the International Capital Market Association (ICMA) Green Bond Principles and Regulation (EU) 2020/852 (EU Taxonomy Regulation).

Our work

- Our review involved a high-level examination of the information available to us, assuming that the Management of Issuer and Management of the Guarantor provided it in good faith. We did not carry out an audit or other testing to verify the accuracy of the information provided to us. Our work to form an opinion included the following steps:
 - Development of a Protocol, which was adapted for the purpose of the Green Bond, as aforementioned, and in Appendix B of this Assessment;
 - Assessment of the documentary evidence provided by the Group on the Green Bond, supplemented by a high-level desktop research that adheres to current assessment best practices and methodology standards;
 - Discussions with the Issuer and Guarantor's management and review of relevant documentation and evidence related to the criteria of the Protocol;
 - Documentation of findings for each element of the criteria. Our opinion, which is detailed in the next section, summarises these findings.

Potential environmental and sustainability risks and impacts

- The potential impacts have been assessed within the Group's project selection phase and mainly pertain to environmental, financial and social sustainability risks.
 - Climate change impacts and environmental effects such as those on resources, air and noise pollution, and energy performance. Impacts concern the entire life-cycle of projects e.g. the material impact during manufacturing stage of PV panels and the recycling of materials following their lifespan;
 - Social challenges such as habitat loss, food security, quality of life and social welfare;
 - Financial viability and economic sustainability of the project itself and for its users.
- The Group's analysis also incorporated its resultant environmental and social impacts on other EU countries within the project's overall vulnerability and risk assessment.

02

Findings

Findings and GTL's opinion

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Findings and GTL's opinion

The Issuer is in the process of issuing a Green Bond to finance and refinance projects of strategic, social, and environmental importance. GTL, an independent third-party reviewer, has reviewed the Green Bond Framework, Prospectus and other documentation and provided an opinion on its alignment with the Green Bond Principles. Several detailed discussions with the Group's Management were held throughout the process.

- Principle One: Use of Proceeds
 - The Green Bond's proceeds will be used to finance/refinance projects designed to reduce water losses, encourage customers to use water efficiently, and increase and improve wastewater treatment capacity as set out in more detail in Appendix A.

GTL assessment: The Green Bond's "Use of Proceeds" meets the criteria established in the Protocol outlined in Appendix B, Section 1 of this Report. Further details regarding the Green Bond's type, Green Project Categories (including Technical Screening, Minimum Safeguards and DNSH), and Refinancing Share are included in Appendix B.

- Principle Two: Process for Project Evaluation and Selection
 - The Issuer's Board will review and approve the annual capital expenditure budget in line with their corporate governance processes. The Board operates in line with five principles, as set out in the Issuer's Green Bond Framework. Projects will be considered as Eligible Green Bond Projects based on how they impact the Issuer's and Guarantor's performance commitments, health and safety, environment, and costs. The projects also need to be classified as either water management and protection works; renewable energy investments; improvements to operational efficiency; or sustainable water management project types. This is in line with the Issuer's Green Bond Framework.

GTL assessment: The Green Bond's "Process for Project Evaluation and Selection" meets the criteria established in the Protocol outlined in Appendix B, Section 2 of this Report. Further details regarding the decision-making process of investments and framework for environmental, social and governance are included in Appendix B.

- Principle Three: Management of Proceeds
 - The Green Bond's proceeds will be managed by the Issuer's Sustainability Committee and administered by the treasury function within the Issuer's finance function. They will be held in a separate account and used for Eligible Green Projects. The Issuer will lend the funds to the Guarantor, disbursed based on project completion status. Expenses will be reported monthly, and the progress monitored through quarterly reviews, which are then used as the basis of the Allocation Report. Bidders will follow public procurement regulations and ISO procedures. Payments will be settled using established ISO procedures.

GTL assessment: The Green Bond's "Management of Proceeds" meets the criteria established in the Protocol outlined in Appendix B, Section 3 of this Report. Further details regarding the tracking of proceeds and temporary holdings are included in Appendix B.

- Principle Four: Reporting
 - Reporting on the Green Bond proceeds will occur annually, with additional reporting for material developments, if any.
 - The Allocation Report will provide details on the total amount allocated to Eligible Green Projects, financing portions, and unallocated funds. A final Allocation Report will be drawn up once all the proceeds are utilised.
 - The Impact Report shall include selected indicators like net energy per unit of water production and total water billed.
 - An independent Accredited External Reviewer will verify the reporting post-issuance, and the findings will be accessible on the Issuer's website.
 - If the Green Bond loses its Green Bond status, the Issuer will announce the reasons and the remedial actions taken as required by the Bye-Laws of the Malta Stock Exchange.

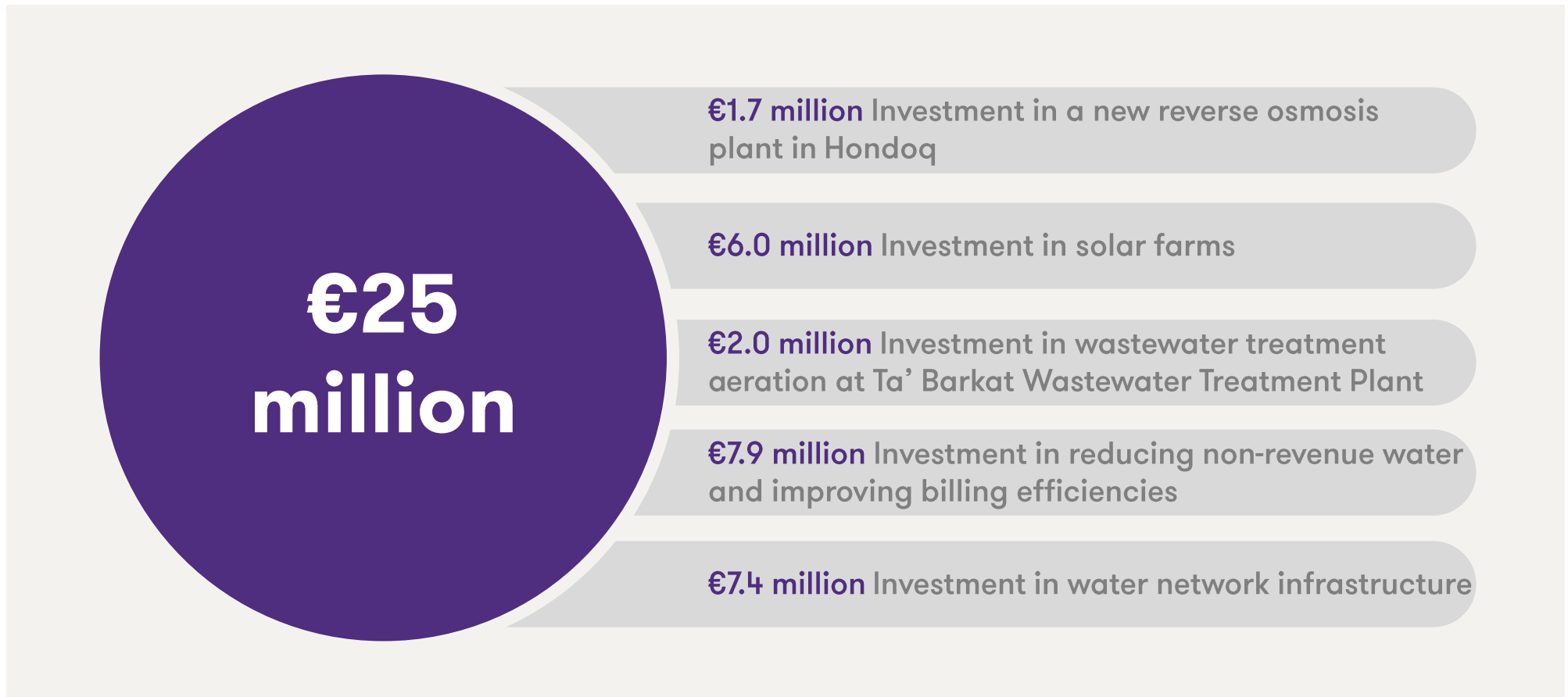
GTL assessment: The Green Bond's "Reporting" meets the criteria established in the Protocol outlined in Appendix B, Section 4 of this Report. Further details regarding the periodic reporting process is included in Appendix B.

Appendices

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A. Assets to be financed

Description of categories/assets to be financed through the bond



A. Assets to be financed (cont.)

Description of categories/assets to be financed through the bond

| Eligible project categories | Description of investment | € milion | Re-financing proportion | Indicators | Environmental priority according to: ICMA | Environmental priority according to: Taxonomy |
|---------------------------------|--|----------|---|---|---|--|
| Water Management and Protection | Investment in a new reverse osmosis (RO) plant | €1.7 | 100% re-financing: Immediate re-financing | <ul style="list-style-type: none"> Reduction in energy consumption and carbon emissions compared to the previous desalination plant Increase in water quality and reduction in salinity levels and leading to improved taste and overall water quality Increased reliability and security of water supply for the island Reduction in reliance on bottled water and the reduction in waste generation Greater water self-sufficiency | Climate change mitigation | Climate change mitigation |
| Renewable Energy | Investment in solar farms | €6.0 | 0% financing: Financing between 2023Q4 and 2024H2 | <ul style="list-style-type: none"> Reduction in Malta's carbon footprint and greenhouse gas emissions Increase in renewable energy generation and decrease in reliance on fossil fuels. Improved energy security for the island Contribution to the country's climate change targets and commitments | Climate change mitigation | Climate change mitigation |
| Operational Efficiency | Investment in wastewater treatment aeration at Ta' Barkat wastewater Treatment Plant | €2.0 | 0% financing: Financing towards 2023Q4 | <ul style="list-style-type: none"> Reduction in energy consumption and carbon emissions compared to the previous blowers Improved treatment efficiency and quality of the treated wastewater Reduction in maintenance costs and increased reliability of the equipment | Climate change mitigation | Climate change mitigation |
| Operational Efficiency | Investment in reducing non-revenue water and improving billing efficiencies | €7.9 | 0% financing: Financing towards 2024Q3 | <ul style="list-style-type: none"> Increased efficiency of the water distribution network Reduction in water losses and wastage, leading to increased water security and conservation of resources Improved billing accuracy and reduction in revenue losses | Natural resource conservation | Sustainable and protection of water and marine resources |
| Sustainable water management | Investment in water network infrastructure | €7.4 | 0% financing: Financing towards 2024Q4 | <ul style="list-style-type: none"> Reduction in water losses and wastage, leading to increased water security and conservation of resources Reduction in Malta's carbon footprint and greenhouse gas emissions resulting from the improved efficiency of the upgraded water network Improved water quality through the replacement of old, corroded pipes Increased reliability of the water distribution network | Climate change mitigation | Climate change mitigation |

B. Green bond eligibility assessment protocol

1. Use of proceeds

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|--------------------------|--|--|---|
| 1a | Type of bond | <p>The bond must fall in one of the following categories, as defined by the Green Bond Principles:</p> <ul style="list-style-type: none"> • Standard Green Use of Proceeds Bond • Green Revenue Bond • Green Project Bond • Secured Green Bond | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Securities Note • ClearFlowPlus Green Bond Framework, June 2023 | <p>GTL confirms that the Green Bond falls within the category of a Green Project Bond, as it is a project bond for multiple Green Projects which are aligned to the Green Bond Principles for which the investor has direct exposure to the risk of the projects. Moreover, investors have recourse to both the Issuer and the Guarantor.</p> |
| 1b | Green Project Categories | <p>The cornerstone of a Green Bond is the utilisation of the proceeds of the bond for Green Projects, which should be appropriately described in the legal documentation for the security. ICMA's voluntary guidelines pertaining to the Green Bond Principles have established a list of Green Projects categorised by their objectives.</p> | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 • ClearFlowPlus Financial Due Diligence Report, June 2023 • Feasibility Study for Projects to be Proposed by WSC, Oct 2018 | <p>GTL confirms that the Green Bond documentation appropriately describes the utilisation of proceeds. The projects are aligned to eligible project categories. These project categories are grouped accordingly with respect to the objectives stated within the MSE bye-laws. The objectives within these bye-laws have been replicated from ICMA's voluntary guidelines (which are also aligned with the EU Taxonomy).</p> <p>Eligible project groupings and alignment to environmental priorities are provided in Appendix A (Assets to be financed).</p> |
| 1c | Green Projects | <p>Green Projects are those projects which fall under one or more of the categories outlined in bye-law 5.02.13.02 or, any other project which the MSE considers to be eligible under the Green Bond Principles issued by the International Capital Markets Association (ICMA). All designated Green Projects must unequivocally provide clear environmental benefits, which have been assessed and, where feasible, quantified.</p> | <p>The EU Taxonomy Regulation provides a classification system for environmentally sustainable economic activities and sets out criteria for determining whether an activity qualifies as environmentally sustainable. To be aligned with the Taxonomy, project must satisfy the requirements established in points 1d.i – 1d.iii included in this section.</p> | <p>GTL confirms that the designated Green Projects provide clear environmentally sustainable benefits.</p> |
| i | Technical screening | <p>MSE bye-law 5.02.13.01 (j) states that the issuer shall demonstrate that any identified Green Project meets the performance thresholds for economic activities. In this regard a Green Project shall make a substantive contribution to one of six environmental objectives which are: Climate Change Mitigation; Climate Change Adaptation; Sustainable and Protection of Water and Marine Resources; Transition to a Circular Economy; Pollution Prevention and Control; Protection and Restoration of Biodiversity and Ecosystems.</p> <p>Technical screening involves assessing the technical aspects of a project to determine its environmental sustainability. The technical screening confirms that the project provides substantial contribution to one of the six environmental priority areas.</p> | <p>Assessment against Technical Screening Criteria was carried out for each project according to their alignment with the EU Taxonomy's main project categorisations. In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 • ClearFlowPlus Financial Due Diligence Report and projections included therein • Feasibility Study for Projects to be Proposed by WSC, Oct 2018 | <p>GTL confirms that the project selection aligns with Technical Screening Criteria as set out in Sections 4.1, 5.1, 5.2 and 5.4 of the EU Taxonomy Delegated Acts (Annex C(2021) 2800 final), pertaining to the first two environmental priorities, and also to Section 4.1 of the 2023 Draft document (published in April 2023) which refers to the Taxonomy Delegated Acts of the remaining four environmental priorities.</p> |

B. Green bond eligibility assessment protocol (cont.)

1. Use of proceeds

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|--|--|--|---|
| ii | <i>Do No Significant Harm ('DNSH')</i> | The principle of "Do No Significant Harm" (DNSH) requires that projects do not cause significant negative impacts on the environment. Therefore, in meeting the threshold under Rule 5.02.13.01 (i) the issuer shall do no significant harm to the other five environmental objectives, where relevant. | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held. The criteria to comply with DNSH standards were evaluated. All available assessments have been vetted to ensure compliance with the DNSH standards.</p> <ul style="list-style-type: none"> Local authority's requirements have been reviewed to assess whether vulnerability and risk assessments were a requirement at project decision phase Climate Vulnerability and Risk Assessment for the defined projects "Appropriate Assessment" for the Reverse Osmosis plant in Hondoq | <p>GTL confirms that appropriate checks have been carried out by the Group in ensuring that the Green Projects satisfy the DNSH criteria. A climate change vulnerability and risk assessment was carried out, identifying the climate risks arising from the projects, the respective vulnerabilities and actions integrated into the projects.</p> <p>The reverse osmosis was also subject to a Climate Vulnerability and Risk Assessment due to its location next to a Special Area of Conservation. The Climate Vulnerability and Risk Assessment delved into the impacts on marine ecology through its construction and operations. The Climate Vulnerability and Risk Assessment concluded that it is expected to have an overall minor impact with a number of recommendations and the implementation of good practices. Management confirmed that environmental monitoring was carried out during the construction phase, and a submarine outfall was implemented, both in line with the Appropriate Assessment recommendations.</p> |
| iii | <i>Minimum safeguards</i> | <p>To ensure that investments adhere to minimum safeguards, they must comply with the regulations outlined in Article 18 of the Taxonomy Regulations. This involves assessing performance criteria against four core topics:</p> <ul style="list-style-type: none"> Human Rights: Green investments must align with the principles set forth in internationally recognised guidelines, such as the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines), the UN Guiding Principles on Business and Human Rights (UNGPs), the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights. Bribery/Corruption: Green investments should be free from any involvement in or facilitation of bribery or corruption. This necessitates strict adherence to anti-corruption laws and practices. Taxation: Green investments should conform to responsible tax practices and comply with relevant tax regulations, ensuring transparency and accountability in their tax affairs. Fair Competition: Green investments must uphold principles of fair competition and avoid any anti-competitive behaviour or practices. | <p>In addition to reviewing the evidence below, discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> eCourts searches Court of Justice of the European Union Customer Due Diligence Solutions screening software WSC Website Audited financial statements Corporate tax and VAT returns and underlying workings Statements obtained from tax authorities such as FS7 and FS3s Biographies of the Board and Committee members KYC Application forms Signed Issuer and Guarantor declarations and personal declarations with respect to: <ul style="list-style-type: none"> human rights anti-corruptions measures compliance with competition laws compliance with tax laws and adequate tax risk management strategies | <p>GTL confirms that minimum safeguards are in place and that the Group, the Board of Directors of the Issuer and Guarantor and members of the Sustainability Committee are:</p> <ul style="list-style-type: none"> not in breach of labour law, human rights, environmental law and competition law; and adhere to human rights, anti-corruption laws and practices, responsible tax practices and fair competition. <p>We advise that a more formal process is established to ensure that compliance with these regulations is maintained on an ongoing basis.</p> |

B. Green bond eligibility assessment protocol (cont.)

1. Use of proceeds

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|-------------------|---|--|---|
| 1c | Refinancing share | MSE bye-laws 5.02.13.02 require that in the event that all or a proportion of the proceeds are or may be used for refinancing, issuers shall provide an estimate of the share of financing vis-a-vis re-financing stating clearly which projects are being re-financed. | Various detailed discussions with the Group's Management were held in addition to reviewing payment terms and procurement documentation. | <p>GTL confirms that the €1.7 million for investment in the reverse osmosis plant in Hondoq will be re-financing, given that this expenditure would have been internally financed by the Guarantor by the time the proceeds are received.</p> <p>GTL confirms that all other use of proceeds will go towards the direct financing of those projects.</p> <p>A rough timeframe of expenditures has also been reviewed and all funds will be expected to be fully allocated by the end of 2024.</p> |

B. Green bond eligibility assessment protocol (cont.)

2. Process for Project Selection and Evaluation

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|---|---|---|---|
| 2a | Decision making process of investments | <p>The issuer of a Green Bond is expected to clearly describe the procedure it employs to assess the suitability of projects funded by Green Bond proceeds. This encompasses, but is not limited to:</p> <ul style="list-style-type: none"> the environmental sustainability goals; the methodology used by the issuer to determine how the projects align with the eligible categories of Green Projects specified in the Green Bond Principles; the relevant criteria for eligibility, which may include exclusion criteria or any other measures implemented to identify and mitigate significant environmental and social risks associated with the projects; The environmental sustainability goals; and The process by which the issuer determines how the Projects fit within the eligible Green Projects categories identified in the Green Bond Principles. | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> ClearFlowPlus Green Bond Framework, June 2023 High-Level National Investment Plan for the Water and Wastewater Sector 2023-2033 Sustainability Committee Terms of Reference | <p>GTL confirms that the Group's procedures for assessing the suitability of projects funded by Green Bond proceeds is in line with this requirement outlined by the Green Bond Principles.</p> <p>Specifically, all expenditure related to the projects for which the proceeds of the Green Bond Issue will be used will be recommended for approval/non-approval by the Sustainability Committee to the Issuer's Board of Director's, which in turn will approve/non-approve the expenditure. One member within the Board and another member forming part of the Sustainability Committee will have representation on the Guarantor's Board of Directors to further enhance accountability, transparency, communication, and overall strategic direction and alignment.</p> <p>Projects' approval is based on their relative merits including how they impact the Guarantor's long-term objectives as determined in its strategy and vision. GTL confirms that the main principles considered in the decision-making process are aligned with their sustainability strategy and the National Investment Plan.</p> |
| 2b | Framework for environmental, social and governance | <p>Apart from the details provided by an issuer regarding its Green Bond process, criteria, and assurances, investors of Green Bonds may also evaluate the issuer's overall framework and track record in terms of environmental sustainability.</p> | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> The WSC's Sustainability policies WSC's Corporate responsibility & sustainability report 2016/17 Feasibility Study for Projects to be Proposed by WSC, Oct 2018 Audited financial statements of the Issuer and the Guarantor for the financial years ending 31 December 2020, 2021 and 2022 WSC Website | <p>GTL confirms that based on the information provided, the Group's track record illustrates that it has been historically conscience of environmental sustainability.</p> |

B. Green bond eligibility assessment protocol (cont.)

3. Management of proceeds

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|--------------------|---|---|---|
| 3a | Tracking procedure | MSE bye-laws 5.02.13.03 state that a policy on the management of proceeds generated from the green bond issuance is to be clearly set out in the offering documentation of the security. An issuer shall ensure that funds designated for Green Bond Projects are kept in a separate account and each transaction tracked in an appropriate manner with an established formal internal process ensure transparency on how each transaction is related to achieving the Green Projects environmental objectives. | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 • Draft Loan Agreement between the Issuer and the Guarantor | <p>GTL confirms that the formal internal process in line with this requirement as the Green Bond proceeds will be tracked and managed in an appropriate manner.</p> <p>The Issuer's and Guarantor's Management confirmed that the proceeds raised from the Green Bond will be used to finance, re-finance or invest in the designated Green Projects line with the Framework as outlined in the "Use of Proceeds" section in the Prospectus.</p> <p>Management of proceeds will be performed by the Sustainability Committee and administered by the treasury function within the Issuer's finance function. Funds will be set in a separate bank account and advanced to the Guarantor under title of loan (in line with the Loan Agreement), and shall be drawn down by the Guarantor, by way of payments made against presentation of invoices or receipts for relevant works or services received from the relevant contractors in respect of the Green Projects. This process shall be closely tracked and monitored by the Sustainability Committee</p> |
| 3b | Tracking procedure | So long as the Green Bond is outstanding, the balance of the tracked proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period. | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 | <p>GTL confirms that there is a clear process in place for the balance of tracked proceeds, as well as disbursements. The funds will be advanced to the Guarantor under title of loan, and the Guarantor will draw down the funds by way of payments against invoices and receipts. The Issuer's finance function shall report on a monthly basis all draw downs and corresponding invoices recognised against the Green Projects. Expenses shall be accounted for in the Guarantor's capital budget, using a separate identifiable code for each line. Progress of disbursement will also be reported monthly by the Performance Analysis and Control team, and annually through the allocation report. A final Allocation Report will be drawn up once all the proceeds are utilised.</p> |
| 3c | Temporary holdings | Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary placement for the balance of unallocated proceeds. | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 • Draft Loan Agreement between the Issuer and the Guarantor | <p>GTL confirms that there is a clear process on how unallocated proceeds will be managed, given that the proceeds will be held in a separate bank account by the Issuer. Until the proceeds are advanced to the Guarantor under title of loan, these proceeds shall remain in the bank account of the Issuer. All disbursements will be made against presentation of invoices or receipts and will be closely tracked by the Sustainability Committee as aforementioned.</p> |

B. Green bond eligibility assessment protocol (cont.)

4. Reporting

| Ref | Criteria | Requirements | Work undertaken | GTL Findings |
|-----|----------------------|---|---|--|
| 4a | Periodical reporting | <p>In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds (if any), issuers should make, and keep, readily available up to date information on the use of proceeds to be reported annually until full allocation, and as necessary thereafter in the event of material developments.</p> <p>This should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Green Bond Principles recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</p> <p>MSE bye-laws 5.02.13.04 state that on an annual basis the issuer shall provide the Exchange, with an updated Accredited External Reviewer's report, certifying that the bonds remain eligible for Green Bond status.</p> | <p>In addition to reviewing the evidence below, several detailed discussions with the Group's Management were held.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • ClearFlowPlus Green Bond Prospectus • ClearFlowPlus Green Bond Framework, June 2023 • Sustainability Committee Terms of Reference | <p>GTL confirms that there is a clear process in place so that the Issuer report on the use of proceeds and the status of allocation annually, until all the proceeds are utilised, through the Allocation Report and Final Allocation Report.</p> <p>The Issuer shall also submit an impact report annually, subject to accredited external review certifying that the bonds remain eligible for Green Bond status. The impact report shall be in line with the applicable legislation at the time. Additionally, the report may include selected impact indicators of the Eligible Green Projects based on available data and best practice, to assess the environmental impact and effectiveness of the projects through the Impact Report.</p> <p>Reporting examples include: Maintaining high quality drinking water and reducing interruptions to supply; Reducing leakage from the network; Helping customers to become more water 'smart'; Delivering favourable condition for Sites of Special Scientific Interest; Improving operational carbon performance; Increasing renewable electricity generation; Reducing the number of properties affected by sewer flooding; Reducing the potential for pollution incidents; Maintaining assets such as water treatment works, sewers and pumps; Delivering sustainable urban drainage systems; Improving customer service and satisfaction.</p> <p>The Sustainability Committee is responsible for supporting the Issuer's Board with the monitoring and reporting on the progress and performance of each project and the use of proceeds utilisation. Reporting will be subject to external verification by an independent Accredited External Reviewer post-issuance until full allocation. This external review enhances the credibility and accuracy of the reported information. Such information will be available on the Issuer's website.</p> <p>Furthermore, the Issuer will notify the market through a company announcement if the Green Bond is no longer eligible for Green Bond status according to the Bye-Laws of the Malta Stock Exchange. The Issuer shall announce the reasons and remedial actions to be taken.</p> |

C. Background to GTL

Grant Thornton Limited

- GTL was registered on 11 April 2017. In the same year, the company was accredited as a Corporate Advisor for admitting companies on the Prospects MTF. Since then, it has successfully admitted seven bonds and one equity issue on Prospects MTF. It currently manages ten Corporate Advisor mandates.
- In May 2019, GTL was registered as a VFA Agent. Since then, it has had four successful applications and holds three active mandates.
- In June 2020, it was accredited as a Listing Agent on IFSM. It has listed one bond issue and is in the process of listing another.
- In March 2023, GTL successfully achieved accreditation from the Malta Stock Exchange. All accredited reviewers are published within the MSE website. As at the date of the Report, GTL is the only organisation which has been accredited as External Reviewer for the Malta Stock Exchange Green Market.
- The Directors of GTL are also Partners in Grant Thornton. The Chairman of Grant Thornton Limited, Mr. Mark Bugeja, is the Managing Partner of Grant Thornton.

Grant Thornton

- Grant Thornton [herein after referred to as the 'Firm'] is the Maltese member firm of Grant Thornton International Ltd. Grant Thornton, a civil partnership constituted in accordance with the Civil Code, Chapter 16 of the Laws of Malta. The Firm is authorised to provide audit and assurance services in virtue of warrant registration number AB/26/84/22. Its registered address is Fort Business Centre, Level 2, Triq l-Intornjatur, Zone 1, Central Business District, Birkirkara, CBD1050.
- It was set up in Malta in the mid-1970s and has grown into one of the country's leading firms of certified public accountants and management consultants. The Maltese firm presently has a complement of 140 people including partners and directors and a multi-disciplinary team of advisors, auditors, tax specialists, lawyers and IT specialists.
- The Firm's client base includes several public interest entities, international and local groups of companies and smaller organisations operating in various industry sectors. In 2022, Grant Thornton acted as Reporting Accountant on nine bond issues listed on the Regulated Market whereby it assisted clients in raising c. €233 million.

Grant Thornton network

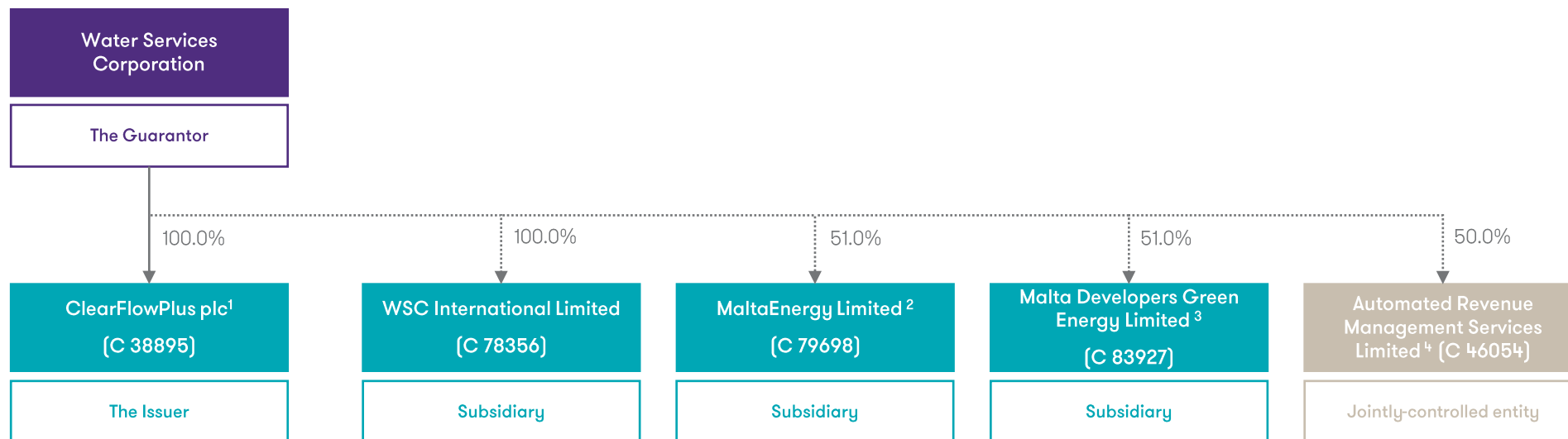
- Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms with a global revenue figure of \$7.2 billion (2022). Grant Thornton member firms help dynamic organisations unlock their potential for growth by providing meaningful, forward-looking advice. Proactive teams led by approachable partners across the globe, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 62,000 Grant Thornton people, across 140 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work.
- There are several factors which make Grant Thornton stand out. Based on our achievements, we highlight below some of the things we believe makes us different and uniquely placed:
 - better client service;
 - trusted financial services provider;
 - dynamic organisation determined to serve the financial services industry in every right way possible;
 - an experienced team of professionals; and
 - tailored, commercial advice.

Conflicts of interest and independence

- As external reviewers, GTL maintains independence, impartiality, objectivity, confidentiality, and ethical standards, all throughout the review. Moreover, GTL's employees are contractually bound by confidentiality clauses as outlined in the employment contract and employee handbook.
- We confirm that as at the date of the Report and throughout the conduct of our work, no conflicts of interest have been identified and that GTL, its representatives and employees were and still are independent from the Issuer and Guarantor.

D. Supporting information

Organisational structure

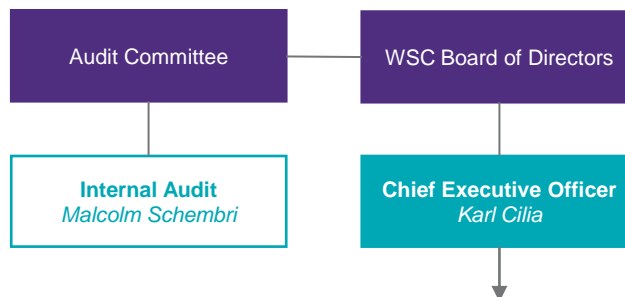


Notes:

1. ClearFlowPlus plc's (in the process of being converted) revenue is derived from consultancy services and supplies in connection with reverse osmosis plants, related after-sales services, desalination, sewage treatment facilities, laboratory analysis, information technology services and sale of parts
2. Remaining 49.0% shares are held by General Retailers and Traders Union
3. Remaining 49.0% shares are held by Malta Developers Association (VO/0477)
4. Joint venture with Enemalta p.l.c. (C 65836)

D. Supporting information (cont.)

Management structure

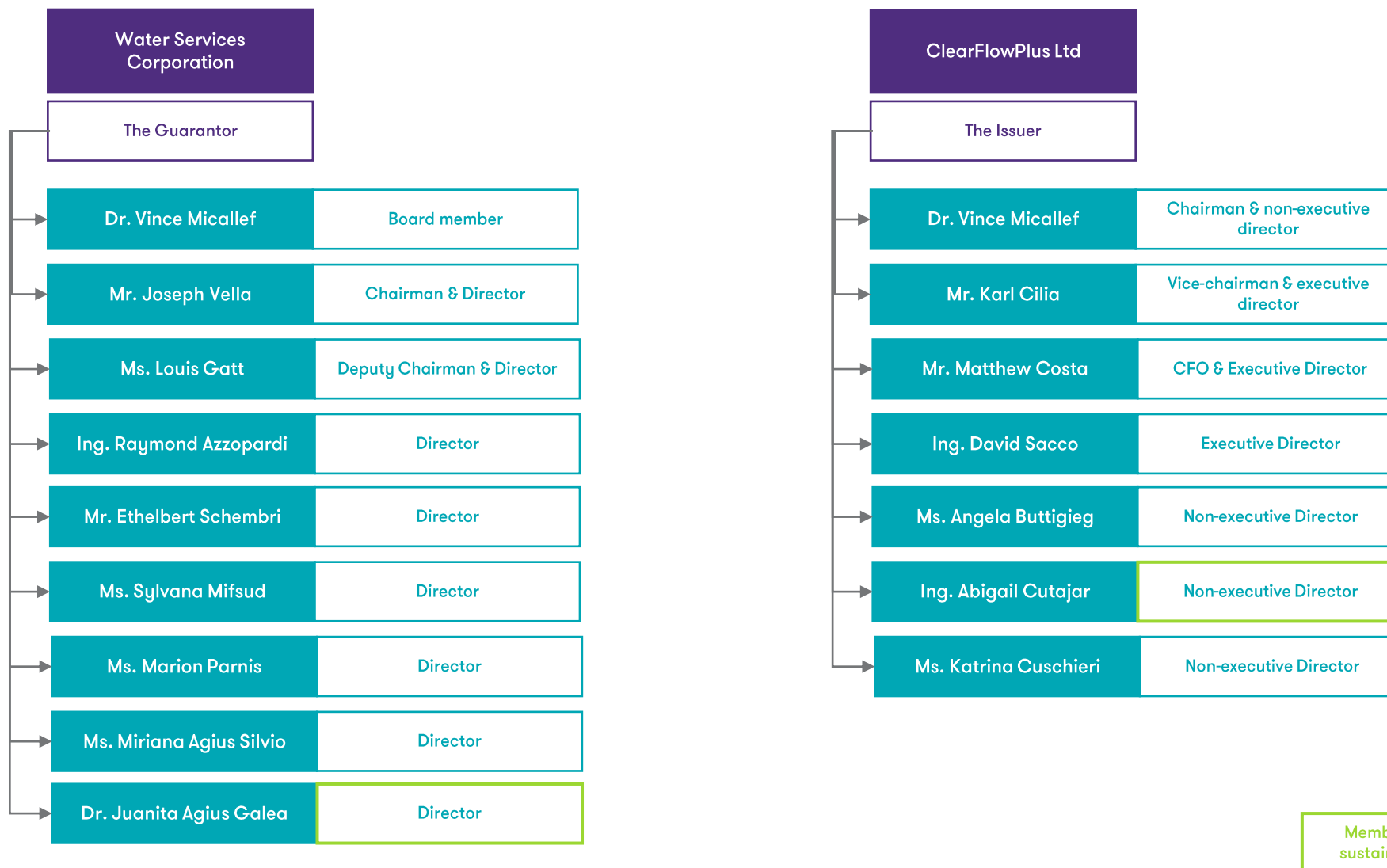


| 1 | 4 | 5 | 6 | 7 | 8 | 9 |
|--|--|--|---|---|--|---|
| Brand Management 1 <i>Pablo Micalef</i> | Finance & Administration <i>Matthew Costa</i> | Quality, Research & Projects <i>Martin Polidano</i> | Strategic Information & Analytical Support <i>Brian Borg</i> | Wastewater Network & Technical Support <i>Ing. Anthony Tanti</i> | Water Network & Metering <i>Ing. Stefan Riolo</i> | Production & Treatment <i>Ing. David Sacco</i> |
| 2 Strategy & Business Plan Monitoring <i>Stefan Cachia</i> | Finance | Quality Manager | Network Infrastructure & Security | TSS | Non-Revenue Water | Desalination |
| 3 Legal <i>Amanda Vella</i> | Pre-Contract Procurement | Quality Assurance & Training | Software Development | Fleet & Asset Management | Control Room | Ground Water, Blending, & Reserves |
| | Supply Chain | Health and Safety | Business Intelligence & ERP | North Region Wastewater | North Region Water | Wastewater Treatment |
| | HR People Management | Road Infrastructure Works | | Central Region Wastewater | Central Region Water | DPU |
| | Payroll & Compliance | EU Projects & Drawing Office | | South Region Wastewater | South Region Water | |
| | Performance Analysis & Control | | | | Gozo Region Water & Wastewater | |
| | Business Development | | | | New Water | |
| | | | | | Metering/ DARA | |

Notes: 1. Brand Management covers Customer Care and Public Relations

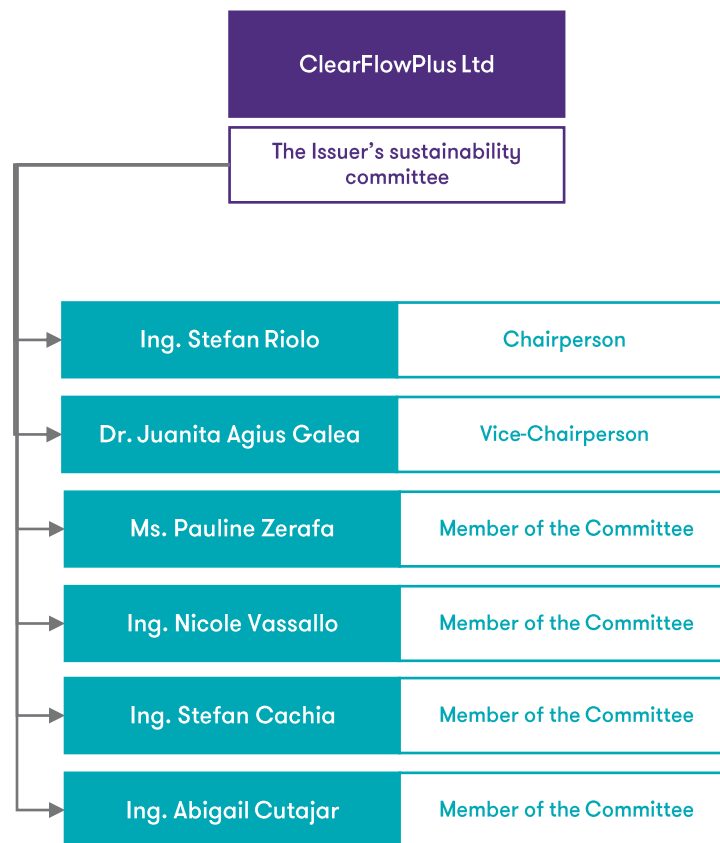
D. Supporting information (cont.)

Board of Directors



D. Supporting information (cont.)

Sustainability Committee



E. Glossary of terms

General terms

| | |
|---|---|
| BoD | Board of directors |
| CDDS | Customer Due Diligence Solutions |
| CFP | ClearFlowPlus |
| CV | Curriculum vitae |
| DNSH | Do no significant harm |
| EC | European Commission |
| GBP | Green Bond Principles |
| GTL | Grant Thornton Ltd |
| ICMA | International Capital Market Association |
| IFSM | Institutional financial securities |
| ISO | International Organisation for Standardisation |
| KYC | Know Your Client |
| MSE | Malta Stock Exchange |
| MTF | Multilateral trading facility |
| OECD | Organisation for Economic Co-operation and Development |
| PV | Photovoltaic |
| The Issuer | ClearFlowPlus p.l.c (in the process of being converted) |
| The Group | Water Services Corporation and ClearFlowPlus plc |
| The Guarantor, the Corporation or WSC | Water Services Corporation |

General terms (cont.)

| | |
|--|---|
| The Letter of engagement | Our engagement letter dated 18 January 2023 |
| UN | United Nations |
| VAT | Value Added Tax |
| VFA | Virtual financial assets |
| WSC | Water Services Corporation |

F. Important notice

Scope of work and limitations

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. The views expressed herein are given in terms of our services agreement and are limited to the conclusions specifically set forth herein and do not apply, by implication or otherwise to any other matter. These are based on the completeness and accuracy of the assumptions, facts and/or representations made to us. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope review might uncover.

Factual accuracy confirmation

Except where expressly noted in this report, we have not reviewed any underlying documentation in support of Management or the Advisers' explanations. In preparing this report we have relied on the information provided to us and discussed this report with Management on 13 June 2023 who confirmed its factual accuracy in all material respects. We have not sought to independently verify the accuracy of this information by any third party.

If any of the assumptions, facts and/or representations is not entirely correct, complete or accurate or should any of the facts change or otherwise be altered or should any assumption made prove to be incorrect and/or unreasonable this may affect the accuracy of anything stated herein. As a result should any material facts have been omitted and/or should any of the facts specified and/or assumptions made not be accurate and/or should any of the facts surrounding the case under review change or be altered or should any assumptions made provide to be incorrect and/or unreasonable we recommend that this fact is brought to our immediate attention for the purpose of reviewing the contents of this report in the light thereof, as the inaccuracy or incompleteness thereof could have a material effect on our conclusions.

Sources of information

The information contained in this report is based primarily on:

- ClearFlowPlus Green Bond Securities Note
- ClearFlowPlus Green Bond Registration Document
- ClearFlowPlus Green Bond Framework, June 2023
- ClearFlowPlus Financial Due Diligence Report, June 2023.

Other sources of information used have been expressly noted.

We do not accept responsibility for such information which remains the responsibility of Management of the WSC Group. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of the Letter of engagement. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

Period of our fieldwork

Our fieldwork was performed in the period between 1 April 2023 and 13 June 2023. We have not performed any fieldwork since 13 June 2023 and, in agreement with the addressees of this report, our report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Location of our work

Our work was conducted as an office-based exercise. Whilst we have visited the Group's head office we did not undertake any site visits.

General

Our report is issued on the understanding that Management of the Group have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of this report.

This report does not purport to be comprehensive and is subject to verification, completion and change without notice. GTL accepts no responsibility for or makes no representation or warranty, express or implied as to the truth, accuracy or completeness of this report. Such information involves risks and uncertainties and is subject to change based on various factors.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after its date.

F. Important notice (cont.)

Limitation of liability

This report has been prepared exclusively for ClearFlowPlus plc and is intended solely for the purpose outlined herein. Whilst we understand that this document shall be uploaded on the Issuer's website, to the fullest extent permitted by law, the report shall not be published, quoted, disclosed or otherwise disseminated to, or relied upon by any other party. GTL shall not accept or assume responsibility to anyone other than the Directors of ClearFlowPlus plc for our work, our report and other communications, or for any opinions we have expressed.

Whilst every care is taken in the preparation of this document and the information contained in it, we hereby give you notice that we cannot and do not accept any responsibility and/or liability whatsoever for any loss or damage of whatsoever nature that may occur by reliance on it and/or howsoever arising in connection therewith. Any disputes or claim arising under or in connection with this document shall be subject to the non-exclusive jurisdictions of the Courts of Malta.



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