

Puget Energy Sustainable Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Puget Energy Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and the Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Climate Change Adaptation, Biodiversity Conservation, Water and Wastewater Management, Pollution Prevention and Control, Green Innovation and Socio-economic Advancement – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental or social impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 10, 11, 14 and 15.



PROJECT EVALUATION AND SELECTION Puget Sound Energy's ESG/Sustainability Executive Committee oversees the internal process for evaluating and selecting projects and consists of an executive management team. The Company has adopted internal processes and procedures to address environmental and social risks associated with the projects being financed. Sustainalytics considers these social and environmental risk management systems to be adequate and the selection process to aligned with market practice.



MANAGEMENT OF PROCEEDS Puget Sound Energy's ESG/Sustainability Committee will be responsible for the management of proceeds. The Company intends to reach full allocation within 36 months of each issuance. Pending full allocation, net proceeds may be temporarily used for repayment of short-term indebtedness or held in cash or cash equivalents in line with liquidity polices. The Company has confirmed to Sustainalytics that the refinanced debt will not be directly associated with activities or assets that are inherently carbon intensive. This is in line with market practice.



REPORTING The Company commits to report on the allocation and impact of proceeds, in a standalone report, on its website on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to each eligible project, either individually or by category, the balance of unallocated proceeds that remain outstanding at the end of the reporting period, the share of proceeds used for financing versus refinancing and brief descriptions on selected projects. Additionally, the Company intends to report on relevant impact metrics. This is in line with market practice.



Evaluation date	May 9, 2023
Issuer Location	Bellevue, WA, United States

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Introduction

Puget Sound Energy (“PSE”) is an electric and gas utility company and a wholly owned subsidiary of Puget Energy (“PE”).¹ The Company’s core business operations include electricity generation, electric power transmission and distribution and natural gas distribution and storage. As of December 2022, PSE served approximately 1.2 million electric and 900,000 natural gas customers. PSE is headquartered in Bellevue, Washington, United States with 3,250 full-time equivalent employees as of December 2022.²

PE has developed the Puget Energy Sustainable Financing Framework dated May 2023 (the “Framework”), under which PE and its subsidiaries intend to issue green, social or sustainability bonds, commercial papers, or loans (the “Sustainable Financing Instruments”).³ The loan instruments may include revolving credit facilities and term loans (single and multi-tranche) and letters of credit. The Company intends to use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to support the increase of renewable electricity generation and distribution; energy equity and socio-economic advancements for vulnerable populations; and contribute to GHG emissions reductions.

The Framework defines eligible green categories in the following eight areas:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Climate Change Adaptation
5. Biodiversity Conservation
6. Water and Wastewater Management
7. Pollution Prevention and Control
8. Green Innovation

The Framework defines a social category in the following area:

1. Socio-economic Advancement

PE engaged Sustainalytics to review the Puget Energy Sustainable Financing Framework and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP),⁴ the Green Loan Principles (GLP) and the Social Loan Principles (SLP).⁵ The Framework has been published in a separate document.⁶

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁷ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA; and the Green Loan Principles 2023 and Social Loan Principles 2023 as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and

¹ PSE is a subsidiary and the primary operating entity of PE. References to PSE’s operations, including its ESG/Sustainability Executive Committee, apply equally to PE and PSE. References to “the Company” apply equally to both PE and PSE.

² Puget Sound Energy, “2022 ESG Report”, at: https://www.pse.com/-/media/PDFs/Our-Ethics-and-Goals/PSE_2022_ESG_Report_Final.pdf?modified=20230329190636

³ For issuances by PE’s subsidiaries under the Framework, the Company has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of the issuance with the criteria defined with the Framework.

⁴ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁵ The Green Loan Principles and the Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at: <https://www.lsta.org/app/uploads/2023/02/LSTA-Sustainable-Lending-Library-Feb-2023.pdf>

⁶ The Puget Energy Sustainable Financing Framework is available on Puget Sound Energy’s website at: <https://www.pse.com/en/about-us/Sustainability>

⁷ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of the Company's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. The Company representatives have confirmed (1) they understand it is the sole responsibility of the Company to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and PE.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, PE is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that PE has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Puget Energy Sustainable Financing Framework

Sustainalytics is of the opinion that the Puget Energy Sustainable Financing Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Puget Energy Sustainable Financing Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Clean Transportation, Climate Change Adaptation, Biodiversity Conservation, Water and Wastewater Management, Pollution Prevention and Control, Green Innovation and Socio-economic Advancement – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - The Company has established a two-year look-back period for its refinancing activities, which Sustainalytics considers to be aligned with market practice.
 - Under the Renewable Energy category, the Company intends to finance the construction, development, acquisition, expansion, operation and maintenance of projects related to renewable energy generation, and transmission and distribution (T&D), including wind, solar (photovoltaic), biomass derived from waste feedstock and hydropower (including pumped storage).
 - Sustainalytics notes that biomass feedstock may include forestry residue.
 - For hydropower projects, the Company may finance new hydropower facilities and the maintenance and refurbishment of existing facilities provided that the dam or reservoir

size will not increase. Eligible projects in operation before 2020 must have a power density greater than 5 W/m², and projects in operation in 2020 or after must have a power density greater than 10 W/m². The Company may also finance run-of-river projects that do not have an artificial reservoir or with a low storage capacity. The Company has confirmed to Sustainalytics that new hydropower and pumped storage projects will have an environmental and social impact assessment by a credible body, and should not have significant risk or significant unresolved controversy surrounding the project.

- The Company may also finance long-term power purchase agreements (PPAs) greater than five years. Sustainalytics notes that PPAs will only include the procurement of electricity derived from renewable energy technologies.
 - For T&D, the Company may finance projects that connect renewable energy to the grid, such as through energy storage, battery systems for the purpose of increasing renewable energy feed-in to the grid. The Company has communicated that energy storage may include battery, pumped hydro and hydrogen. In addition, the Company may finance T&D infrastructure where: i) the average grid emissions factor is below 100 gCO₂e/kWh measured on a life cycle basis, over a rolling five-year period; or ii) more than 67% of newly enabled generation capacity is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis, over a rolling five-year period.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, the Company may finance or refinance projects related to systems and technologies that increase energy efficiency, enhancements and upgrades of transmission lines to avoid energy losses or reduce energy consumption, and programmes to support customer energy-efficiency. Eligible projects include:
 - Smart grid technology,⁸ smart sensors and automation systems.
 - The Company has communicated that programmes may include energy-saving rebate programmes for residential, multifamily and commercial buildings that aim to offset major efficiency upgrades, including weatherization, major appliance upgrades or heating or cooling systems.⁹ The Company has confirmed to Sustainalytics that appliances being financed under the programmes will be limited to industrial facilities.
 - The Company has confirmed to Sustainalytics that assets and equipment primarily driven, connected to or powered by fossil fuels will be excluded under this category.
 - Sustainalytics considers investment under this category to be aligned with market practice.
 - Under the Clean Transportation category, the Company may finance or refinance the purchase or lease of zero-emission vehicles, and electric vehicle charging stations and associated infrastructure. Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Climate Change Adaptation category, the Company may finance or refinance expenditures related to enhancing the resiliency of T&D networks to mitigate and adapt to the impact of climate change and extreme weather events and effects. Eligible projects include advanced monitoring equipment, information support systems, climate observation and early warning systems.
 - Sustainalytics notes that a vulnerability assessment will be conducted to identify the realized climate impact and a related adaptation plan will be in place. This category excludes any investment to T&D infrastructure that is directly connecting or expanding direct connection of power generation sources with GHG emissions greater than 100 gCO₂e/kWh.
 - Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Biodiversity Conservation category, the Company may finance or refinance projects that aim to protect and restore terrestrial, aerial and aquatic local ecosystems. Eligible projects

⁸ Smart grid projects may include the advanced use of digital information relating to electricity use, costs, prices, time-of-use, nature of use, and storage and delivery signals to allow end-use load device automation, controlling and managing electricity demand, managing congestion, voltage control, operating reserves and frequency regulation.

⁹ Puget Sound Energy, "Rebates & offers", at: <https://www.pse.com/rebates>

- may include initiatives related to natural habitat protection, preservation of rare plant and animal species, protection of fish passage, spawning and local species habitats and investments in projects that increase fish, avian and other populations. Natural habitat protection projects may include reforestation activities, which Sustainalytics notes will use tree species that are well-adapted to site conditions and that it will monitor tree planting and replace trees as necessary for a period of up to five years.¹⁰
- Under the Water and Wastewater Management category, the Company may finance or refinance the construction, acquisition, upgrade and maintenance of technologies or equipment, including the collection, recycling or reuse of water, rainwater or wastewater; water-loss monitoring and management systems; and water metering aimed at improving water-use efficiency and reduce consumption. Sustainalytics notes that water or wastewater associated with fossil fuel activities will be excluded. Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Pollution Prevention and Control category, the Company may invest in systems, technologies and equipment that reduce and control GHG emissions. The Company has communicated to Sustainalytics that projects may include the phase-out of sulphur hexafluoride (SF₆) equipment for T&D of electricity infrastructure, and retrofit of gas networks to enable integration of low-carbon gases and reduce methane leakage. Sustainalytics notes the wide use of SF₆ in T&D infrastructure and the importance of phasing it out due to its high global warming potential.¹¹ Sustainalytics classifies methane leak reduction and retrofit of distribution networks for low-carbon gases as a transition activity and recognizes that the financing of these activities are expected to result in less emissions-intensive infrastructure as well as facilitate the switch to new low-carbon gases.
 - Under the Green Innovation category, the Company may finance or refinance investments for the piloting of low-carbon technologies and low-carbon fuels including renewable natural gas, green hydrogen and biofuels. Sustainalytics notes the Framework's commitment to develop fuels for electricity generation with a GHG life cycle emissions intensity lower than 100 gCO_{2e}/kWh.
 - Under the Socio-economic Advancement category, the Company may finance or refinance expenditures related to enabling opportunities for diverse business enterprises, including small and medium-sized businesses¹² that are majority-owned by the following groups: i) minorities; ii) women; iii) veterans; and iv) LGBTQ individuals, and programmes designed to provide energy equity to the following target populations: i) highly impacted communities;¹³ ii) vulnerable populations;¹⁴ and iii) tribal governments.¹⁵ Sustainalytics notes the following:
 - Regarding investments in small and medium-sized enterprises, the Company may finance the procurement of products and services from eligible diverse suppliers. The Company has confirmed to Sustainalytics that procurement will be limited to 10% or less of the proceeds and a screening criterion is in place for businesses involved in environmentally or socially detrimental industries, for example, fossil fuels.
 - Sustainalytics views investments in this category to be socially impactful.

¹⁰ The Company has communicated that any natural habitat protection activities will be done as per the applicable sustainable management plans, code or permits as per the corresponding jurisdiction.

¹¹ Ottersbach, N. (2019), "Grid switchgear uses SF₆, the world's most potent greenhouse gas. How do we regulate it?", Energy Post, at: [https://energypost.eu/grid-switchgear-uses-sf6-the-worlds-most-potent-greenhouse-gas-how-do-we-regulate-it/#:~:text=Sulphur%20Hexafluoride%20\(SF6\)%20in%20the%20Switchgear%20industry&text=Switchgear%20are%20vital%20components%20of,gas%20insulated%20switchgear%20\(GIS\)](https://energypost.eu/grid-switchgear-uses-sf6-the-worlds-most-potent-greenhouse-gas-how-do-we-regulate-it/#:~:text=Sulphur%20Hexafluoride%20(SF6)%20in%20the%20Switchgear%20industry&text=Switchgear%20are%20vital%20components%20of,gas%20insulated%20switchgear%20(GIS))

¹² Small and medium-sized businesses will meet criteria outlined by either the Washington State Legislature or the Officer of the United States Trade Representative: i) a small business refers to a business entity, including a sole proprietorship, corporation, partnership or other legal entity owned and operated independently from all other businesses, and has 50 or fewer employees. Qualifying small businesses must be properly licensed for profit businesses having three-year average gross annual receipts not exceeding USD 30.4 million in line with the definitions provided by the Washington State Legislature and the Washington State Office of Minority and Women's Business Enterprises, respectively; or ii) small and medium-sized businesses employ fewer than 500 employees per the Officer of the United States Trade Representative.

¹³ Highly impacted communities are defined as communities highly impacted by fossil fuel pollution and climate change in Washington as identified by the Department of Health following a cumulative impact analysis, in line with the CETA definition.

¹⁴ Vulnerable populations are defined as communities experiencing a disproportionate cumulative risk from environmental burdens due to: i) adverse socio-economic factors, including unemployment, high housing and transportation costs relative to income, access to food and healthcare, and linguistic isolation; and ii) sensitivity factors, including low birth weight and higher rates of hospitalization, in with the CETA definition.

¹⁵ Tribal governments are defined in line with the Washington State Legislature's definition where an Indigenous tribe means any federally recognized whose traditional lands and territories are included in parts of Washington.

- The Company will not knowingly allocate proceeds from the Sustainable Financing Instruments to activities related to the exploration, production or transportation of fossil fuels or the consumption of fossil fuels for the purpose of power generation.
- Project Evaluation and Selection:
 - PSE's ESG/Sustainability Committee (the "ESG Committee"), consisting of an executive management team with comprised of the Chief Sustainability Officer (chair), Chief Operating Officer, VP Clean Energy Strategy and Planning, VP External Affairs, VP Energy Supply, Chief Human Resources Officer and the Treasurer. The ESG Committee will be responsible for the evaluation and selection of eligible projects in accordance with the criteria defined in the Framework.
 - The Company has adopted internal processes and procedures to address environmental and social risks associated with the projects being financed. For more information, please refer to Section 2.
 - Based on a well-defined project selection process and the Company's risk management process, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Proceeds from the Sustainable Financing Instruments will be deposited to the Company's general account and earmarked for allocation to eligible projects. The ESG Committee will oversee the allocation of proceeds.
 - The Company intends to achieve full allocation within 36 months of the respective issuance date.
 - Pending full allocation, net proceeds will be temporarily used to refinance existing debt, such as credit facilities or commercial paper, or held in cash or cash equivalents in line with the Company's liquidity policies. The Company has confirmed to Sustainalytics that the refinanced debt will not be directly associated with activities or assets that are inherently emission intensive.
 - Instruments issued under the Framework may include multi-tranche loan facilities. The Company intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
 - Based on these elements, Sustainalytics considers this process to be aligned with market practice.
- Reporting:
 - The Company intends to report on the allocation and impact of proceeds, in a standalone report, on its website on an annual basis until full allocation. Regarding revolving credit facilities, the Company intends to issue revolving credit facilities and has confirmed that reporting will occur until loan maturity.
 - Allocation reporting will include the amount of net proceeds allocated to each eligible project, either individually or by category, the balance of unallocated proceeds that remain outstanding at the end of the reporting period, the share of proceeds used for financing versus refinancing and brief descriptions on the selected projects.
 - Impact reporting is expected to be based on category-level key performance indicators, including: i) new or total distance of transmission lines developed (in km); ii) capacity of newly owned renewable energy generation facilities; iii) annual efficiency improvements (in %) and energy losses avoided (in MWh); and iv) annual GHG emissions reduced or avoided (in tCO_{2e}). For a full list of indicators, please refer to Appendix 1.
 - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the Puget Energy Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of PSE

Contribution to Puget Sound Energy's sustainability strategy

In 2021, PSE committed to Beyond Net Zero Carbon (BNZC), a plan to achieve companywide net zero emissions by 2045 while also facilitating further emissions reductions in other sectors, such as low-carbon transportation in the region. To reach this goal, PSE is pursuing a sustainability strategy that has three focus areas: i) decarbonizing PSE's operations and electric supply; ii) increasing the efficiency of natural gas sales and customer end-use through outreach and educational programmes; and iii) facilitating decarbonization in other sectors through the provision of alternative energy supplies and carbon offsets.¹⁶ PSE also acknowledges that maintaining equitable access and open dialogue with stakeholders will be critical to the success of this transition. As a result, PSE has also taken up a number of projects to support the socio-economic wellbeing of the communities in which it operates.¹⁷

To reach its BNZC goal, PSE is undertaking a number of programmes. To address its own emissions, PSE will focus on its power mix and operations. In addition to terminating its use of coal power, which accounted for 32% of its energy supply in 2019, PSE will increase solar and wind generation along with its associated transmission infrastructure. In accordance with Washington state's Clean Energy Transformation Act (CETA),¹⁸ PSE aims to phase out coal completely by 2025 and source 63% of its electric supply from renewables or non-emitting sources for its energy mix.¹⁹ Together with eliminating methane leaks in its distribution system and transitioning its transportation fleet to electric or low-carbon fuels, PSE aims to achieve net zero carbon emissions in its operations and electrical supply by 2030.²⁰ PSE also aims to achieve net zero carbon emissions for natural gas used in customers' homes and businesses by 2045, with an interim goal of reaching a 30% reduction in these end-use emissions by 2030. PSE intends to provide incentive programmes for its customers to improve their energy efficiency and reduce general consumption. PSE also plans to invest in zero and low-carbon fuel technologies, such as RNG, biosynthetic gas and hydrogen, and facilitate their adoption in homes and businesses with equitable carbon pricing.²¹ To reduce the carbon footprint outside of its business, PSE intends to promote the use of renewable power while also investing in a variety of other projects, including forest offsets on PSE-owned land, partnerships to explore carbon sequestration and RNG projects to reduce methane emissions from municipal solid waste and biomass sources.²²

PSE also provides transparency on its ongoing efforts to cut emissions through enhanced disclosures. Since 2010, PSE has published a Greenhouse Gas Inventory, which summarizes the scope of services and the extent of emissions across all of its sources.²³ In 2021, PSE also disclosed its emissions data as per the Sustainability Accounting Standards Board Standards for Electric Utilities and Power Generators and Gas Utilities and Distributors.²⁴ Currently, PSE is conducting an analysis of transitional and physical climate risks and opportunities in line with the recommendations by the Task Force for Climate-Related Financial Disclosures and intends to publish a TCFD-aligned report in 2023.²⁵

Meanwhile, several of PSE's socio-economic initiatives are also integrated its BNZC plan, including programmes that offer education on renewable energy and energy-efficiency options.²⁶ Additional programmes, such as the Home Energy Lifeline Program, which supports low-income users with their energy bills, and efforts to incorporate historically underrepresented populations in the Equity Advisory Groups, who provide stakeholder feedback for PSE's sustainability strategy, are designed to make the Company's transition equitable.²⁷

PSE's Chief Sustainability Officer leads the Company's sustainability strategy, which the CEO ultimately approves. Working with the Vice President of Clean Energy Strategy and Planning and the Chief Operating Officer, the CSO is responsible for the setting of sustainability-linked goals and targets and driving ESG-related

¹⁶ Puget Sound Energy, "ESG Report," (2022), at: <https://www.pse.com/en/about-us/Sustainability-reporting#:~:text=Sustainability%20commitments%20and%20reporting,under%20several%20industry%2Dstandard%20frameworks>.

¹⁷ Ibid.

¹⁸ US Energy Information Administration, "Washington: State Profile and Energy Estimates," (2023), at:

<https://www.eia.gov/state/analysis.php?sid=WA#:~:text=Renewable%20Energy,total%20hydroelectric%20generation%20in%202022>

¹⁹ Puget Sound Energy, "Clean Energy Implementation Plan: Executive Summary," (2022), at: https://irp.cdn-website.com/dc0dca78/files/uploaded/2022_0201_Chapter1.pdf

²⁰ Puget Sound Energy, "Pathway to Beyond Net Zero Carbon by 2045," (2021), at: <https://www.pse.com/en/pages/together>

²¹ Ibid.

²² Ibid.

²³ Puget Sound Energy, "Greenhouse gas policy statement," (2023), at: <https://www.pse.com/en/pages/greenhouse-gas-policy>

²⁴ Puget Sound Energy, "Sustainability commitments and reporting," (2023), at: <https://www.pse.com/en/about-us/Sustainability-reporting>

²⁵ Ibid.

²⁶ Ibid.

²⁷ Puget Sound Energy, "ESG Report," (2022), at: <https://www.pse.com/en/about-us/Sustainability-reporting#:~:text=Sustainability%20commitments%20and%20reporting,under%20several%20industry%2Dstandard%20frameworks>

initiatives in the organization.²⁸ PSE has also aligned executive compensation with its ESG objectives, offering a variable pay component that is directly linked to the achievement of ESG-related KPIs.²⁹

Based on the above, Sustainalytics is of the opinion that the Puget Energy Sustainable Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's efforts to transition beyond net zero by 2045.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving occupational health and safety; community relations and stakeholder participation; land use and biodiversity issues associated with large-scale infrastructure development; and emissions, effluents and waste generated in the construction.

Sustainalytics is of the opinion that the Company is able to manage potential risks through the implementation of the following:

- Risks related to occupational health and safety at PSE are overseen by an executive-level steering committee and actively maintained through regular employee safety committee meetings where policies and management practices are discussed. Through the Company's Safety Management System, employees receive regular training on safety and best practices. PSE complies with all Occupational Safety and Health Administration and Washington State Division of Occupational Safety and Health rules.³⁰ Meanwhile, PSE addresses the health and safety of its suppliers and contractors through its Responsible Supplier and Contractor Guidelines.³¹
- PSE ensures stakeholder engagement through its Equity Advisory Group (EAG), first established in 2021. The EAG comprises members from the community with a focus on those from historically underrepresented groups, including low-income, Black, Indigenous and People of Colour. PSE formed the EAG to provide PSE with communal input and feedback for the equitable and just execution of its transition to cleaner energy. Along with the EAG's input, PSE also assesses the equity of its energy transition by tracking customer benefit indicators, such as affordability and energy resiliency. In addition, PSE's Community Engagement Team has a member from each of the counties where it serves who liaises with local organizations and Indigenous communities to ensure open communication and maintain consistent relationships.³²
- To address risks involved in land use and biodiversity, PSE abides by comprehensive federal, state and local environmental regulations, including the Clean Air Act,³³ Clean Water Act,³⁴ Endangered Species Act,³⁵ National Historic Preservation Act,³⁶ National Environmental Policy Act,³⁷ and the Washington State Environmental Policy Act.³⁸ Compliance with these regulations is maintained through its Corporate Environmental Policy, which outlines expectations and responsibilities at an employee level, and an Environmental Management System which provides ongoing training on regulatory requirements and environmental compliance. With the technical support of subject matter experts,

²⁸ Ibid.

²⁹ Puget Sound Energy, "ESG Report," (2022), at: <https://www.pse.com/en/about-us/Sustainability-reporting#:~:text=Sustainability%20commitments%20and%20reporting,under%20several%20industry%2Dstandard%20frameworks>.

³⁰ Puget Sound Energy, "ESG Report," (2022), at: <https://www.pse.com/en/about-us/Sustainability-reporting#:~:text=Sustainability%20commitments%20and%20reporting,under%20several%20industry%2Dstandard%20frameworks>

³¹ Puget Sound Energy, "Responsible supplier and contractor guidelines," (2020), at: <https://www.pse.com/en/pages/suppliers/responsible-supplier-and-contractor-guidelines>

³² Puget Sound Energy, "ESG Report," (2022), at: <https://www.pse.com/en/about-us/Sustainability-reporting#:~:text=Sustainability%20commitments%20and%20reporting,under%20several%20industry%2Dstandard%20frameworks>

³³ US Environmental Protection Agency, "Summary of the Clean Air Act," (2022), at: <https://www.epa.gov/laws-regulations/summary-clean-air-act#:~:text=42%20U.S.C.%20%2A77401%20et,from%20stationary%20and%20mobile%20sources>

³⁴ US Environmental Protection Agency, "Summary of the Clean Water Act," (2022), at: [https://www.epa.gov/laws-regulations/summary-clean-water-act#:~:text=The%20Clean%20Water%20Act%20\(CWA,quality%20standards%20for%20surface%20waters](https://www.epa.gov/laws-regulations/summary-clean-water-act#:~:text=The%20Clean%20Water%20Act%20(CWA,quality%20standards%20for%20surface%20waters)

³⁵ US Fish and Wildlife Service, "Endangered Species Act," at: <https://www.fws.gov/law/endangered-species-act#:~:text=The%20Endangered%20Species%20Act%20establishes,their%20recovery%3B%20provides%20for%20interagency>

³⁶ Advisory Council on Historic Preservation, "National Historic Preservation Act," at: <https://www.achp.gov/digital-library-section-106-landing/national-historic-preservation-act>

³⁷ US Environmental Protection Agency, "National Environmental Policy Act," (2022), at: <https://www.epa.gov/nepa>

³⁸ State of Washington Department of Ecology, "State Environmental Policy Act (SEPA)," at: <https://ecology.wa.gov/regulations-permits/SEPA-environmental-review>

PSE addresses risks posed to biodiversity prior to any development and monitors the risks throughout the project's lifecycle.³⁹

- Risks posed by waste generation in construction are managed primarily by PSE's Environmental and Program Services department. This department oversees hazardous waste management policies and conducts employee training and compliance programmes. To manage industrial wastewater discharge, the department also ensures that PSE's facilities comply with applicable wastewater and stormwater permits. For construction projects in particular, all project staff works with the State of Washington Department of Ecology to align its management practices with those of the relevant local jurisdictions. To address the potential for oil spills, mainly caused by accidents or construction work, PSE has a 24-hour Spill Response Program to minimize their impact.⁴⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the Company has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP and SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of renewable energy in reducing GHG emissions in the US

With 4% of the global population, the US accounted for approximately 16% of the world's electricity consumption in 2021.⁴¹ As of November 2022, 60% of US electricity generation came from fossil fuels, according to the US Energy Information Administration.⁴² While renewable energy generation in the US has experienced significant growth in recent decades, it accounted for only 22% of electricity generation in 2022.^{43,44} As a result, the electricity sector is one of the country's largest GHG emitters, accounting for 25% of total emissions in 2021.⁴⁵

As a part of its Nationally Determined Contribution under the Paris Agreement, the US has committed to reducing GHG emissions by at least 50% from a 2005 baseline by 2030 and achieving economywide net zero emissions by 2050.^{46,47} In line with these targets, the US government established a goal in 2021 of achieving a 100% carbon-pollution-free electricity sector by 2035.⁴⁸ The State of Washington is the country's leading producer of electricity generation from hydroelectric power. In 2022, it accounted for approximately 67% of the state's total electricity net generation and 31% of the US' total hydroelectric generation. Alongside its hydro facilities, Washington's renewable energy mix also includes wind (nearly 8%) and biomass (approximately 1%).⁴⁹ In 2019, Washington enacted the CETA, which requires electric utilities that serve retail customers to phase out coal-fired electricity by 2025 and make their electricity supply GHG emission neutral by 2030. By 2045, all electricity sold in the state must come from renewable or non-emitting sources.⁵⁰

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ US Energy Information Administration, "FAQs: What is the United States' share of world energy consumption?," (2022), at: <https://www.eia.gov/tools/faqs/faq.php?id=87&t=1#:~:text=The%20United%20States'%20percentage%20share,energy%20consumption%20in%20the%20world.>

⁴² US Energy Information Administration, "What is U.S. electricity generation by energy source?," (2022), at: <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>

⁴³ Ibid.

⁴⁴ US Energy Information Administration, "Electricity explained: Electricity in the United States," (2022), at: <https://www.eia.gov/energyexplained/electricity/electricity-in-the-us.php>

⁴⁵ US Environmental Protection Agency, "Sources of Greenhouse Gas Emissions," (2023), at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

⁴⁶ Government of the US, "The Long-Term Strategy of the United States," (2021), at: <https://www.whitehouse.gov/wp-content/uploads/2021/10/US-Long-Term-Strategy.pdf>

⁴⁷ UNFCCC, "The United States of America Nationally Determined Contribution," (2022), at: <https://unfccc.int/sites/default/files/NDC/2022-06/United%20States%20NDC%20April%202021%20Final.pdf>

⁴⁸ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies," (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

⁴⁹ US Energy Information Administration, "Washington: State Profile and Energy Estimates," (2023), at: <https://www.eia.gov/state/analysis.php?sid=WA#:~:text=Renewable%20energy,total%20hydroelectric%20generation%20in%202022.>

⁵⁰ Ibid.

In this context, Sustainalytics views the Company's investments in the renewable energy projects financed under the Framework as having the potential to reduce GHG emissions in the electricity sector and contribute to national and regional climate goals.

Importance of energy equity and socio-economic advancement in energy transition in the US

The transition to clean energy has so far been unevenly executed across the socio-economic spectrum in the US, with small businesses, and low-income and minority households typically making the transition slower and incurring more costs as a result.^{51,52} As of 2022, US small businesses employed 46.4% of the country's workforce.⁵³ Despite their economic importance, small and medium-sized businesses face barriers to transitioning their operations to net zero due to a lack of information and awareness of greening opportunities, resource constraints, skill and knowledge limitations and technical uncertainties.⁵⁴ Furthermore, small businesses spend more than USD 60 billion a year on energy.⁵⁵

Low-income and minority households face similar obstacles in accessing the financial savings offered by the clean energy transition. For example, a study in the Journal of American Planning Association has demonstrated that very-low-income residents, those who earn less than 50% of the average median income in the US, living in predominantly minority neighbourhoods incur 27% more energy costs than the residents of majority non-Hispanic white neighbourhoods in the same income range.⁵⁶ This is often due to lower energy efficiency in homes in the form of inefficient heating and lighting infrastructure.⁵⁷ Additionally, minority groups are more likely to face higher risks of service disruptions and higher bills as a result of energy inefficiency and cost burdens.⁵⁸

To support small businesses in the energy transition, in 2021, the US federal government announced USD 105 million in funding for small businesses to invest in the deployment of clean energy technologies.⁵⁹ Moreover, to support local communities in their energy transition, the federal government plans on investing up to USD 172 billion over the next decade in upgrading more than 950,000 public housing units with deep energy retrofits through the Green New Deal for Public Housing Act.⁶⁰ The government is also implementing the Justice40 Initiative, where 40% of the overall benefits from federal investments in climate and clean energy go to disadvantaged communities.⁶¹ Similar initiatives are also being undertaken at the state level. In 2021, Washington enacted the Climate Commitment Act (CCA) to cap and reduce emissions from the state's largest polluters. The resulting cap-and-invest programme involves investing the proceeds from the purchase of emission allowances and penalties into the state's efforts to transition to a clean economy. As part of the CCA, 35% of these investments will be specifically earmarked for communities overburdened by air pollution, at least 10% of which must go to Tribal Nation-supported projects.⁶²

Based on the above, Sustainalytics is of the opinion that the Company's activities under the Framework related to socio-economic advancement and equity, such as providing support for electricity bill payments, are expected to contribute to reducing the inequalities and barriers that disadvantaged populations face in the energy transition of the US and Washington in particular.

⁵¹ Kontokosta, C. et al. (2020), "Energy Cost Burdens for Low-Income and Minority Households," Journal of the American Planning Association, at: <https://par.nsf.gov/servlets/purl/10132800#:~:text=Our%20results%20show%20the%20average,an%20average%20burden%20of%202%25>

⁵² OECD, "No Net Zero without SMEs: Exploring the key issues for greening SMEs and green entrepreneurship," (2021), at: <https://www.oecd-ilibrary.org/docserver/bab63915-en.pdf?expires=1666961282&id=id&accname=guest&checksum=15DE25DED197EF388E661C0A89672FEE>

⁵³ US Small Business Administration, "2022 Small Business Profile: United States," (2022), at: <https://advocacy.sba.gov/wp-content/uploads/2022/08/Small-Business-Economic-Profile-US.pdf>

⁵⁴ OECD, "No Net Zero without SMEs: Exploring the key issues for greening SMEs and green entrepreneurship," (2021), at: <https://www.oecd-ilibrary.org/docserver/bab63915-en.pdf?expires=1666961282&id=id&accname=guest&checksum=15DE25DED197EF388E661C0A89672FEE>

⁵⁵ Energy Star, "Small Businesses: An Overview of Energy Use and Energy Efficiency Opportunities", (2022), at: <https://www.energystar.gov/sites/default/files/buildings/tools/SPP%20Sales%20Flyer%20for%20Small%20Business.pdf>

⁵⁶ Kontokosta, C. et al. (2020), "Energy Cost Burdens for Low-Income and Minority Households," Journal of the American Planning Association, at: <https://par.nsf.gov/servlets/purl/10132800#:~:text=Our%20results%20show%20the%20average,an%20average%20burden%20of%202%25>.

⁵⁷ Mock, B. (2019), "Neighborhoods With More People of Color Pay Higher Energy Bills," Bloomberg, at: <https://www.bloomberg.com/news/articles/2019-11-25/why-white-households-pay-less-for-utilities>

⁵⁸ Kowalski, K. (2020), "Racial disparities persist in electric service. Is 'willful blindness' to blame?," Energy News Network, at: <https://energynews.us/2020/07/01/racial-disparities-persist-in-electric-service-is-willful-blindness-to-blame/>

⁵⁹ US Department of Energy, "DOE Announces \$105 Million for Small Businesses to Invest in Clean Energy Research and Development," (2021), at: <https://www.energy.gov/articles/doe-announces-105-million-small-businesses-invest-clean-energy-research-and-development>

⁶⁰ US Senate, "NEWS: Sanders and Ocasio-Cortez Rollout Green New Deal for Public Housing Act," (2021), at: <https://www.sanders.senate.gov/press-releases/news-sanders-and-ocasio-cortez-rollout-green-new-deal-for-public-housing-act/>

⁶¹ National Conference of State Legislatures, "Energy Justice and the Energy Transition," (2022), at: <https://www.ncsl.org/research/energy/energy-justice-and-the-energy-transition.aspx>

⁶² Low Carbon Prosperity Institute, "Policy Brief: Washington State's Climate Commitment Act," (2021), at: <https://www.cleanprosperouswa.com/wp-content/uploads/2021/09/CaPWA-Policy-Brief--Washington-States-Climate-Commitment-Act.pdf>

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Puget Energy Sustainable Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target(s)
Renewable Energy	7. Affordable and Clean Energy	7.2 Increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Climate Change Adaptation	11. Sustainable Cities and Communities	11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.
Biodiversity Conservation	14. Life Below Water 15. Life on Land	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take actions for their restoration in order to achieve healthy and productive oceans. 15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.
Water and Wastewater Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Green Innovation	7. Affordable and Clean Energy	7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Socioeconomic Advancement	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.
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Conclusion

Puget Energy has developed the Puget Energy Sustainable Financing Framework under which PE and its subsidiaries intend to issue green, social and sustainability bonds, commercial papers or loans, and use the proceeds to finance or refinance existing or future projects that are expected to support the increase of renewable electricity generation and distribution; energy equity and socioeconomic advancements for vulnerable populations; and contribute to GHG emissions reductions. Sustainalytics considers that the eligible projects as defined by the Framework are expected to provide a positive environmental and social impact.

The Puget Energy Sustainable Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall transition strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 10, 11, 14 and 15. Additionally, Sustainalytics is of the opinion that the Company has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that the Company is well positioned to issue green, social or sustainability bonds, commercial papers or loans and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2023 and Social Loan Principles 2023.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme – External Review Form

Section 1. Basic Information

Issuer name:	Puget Sound Energy
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Puget Energy Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 9, 2023
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP, SBP, GLP and SLP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation, Climate Change Adaptation, Biodiversity Conservation, Water and Wastewater Management, Pollution Prevention and Control, Green Innovation and Socio-economic Advancement – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to a positive environmental or social impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 10, 11, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify): Biodiversity Conservation; Green Innovation |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Puget Sound Energy's ESG/Sustainability Executive Committee oversees the internal process for evaluating and selecting projects and consists of an executive management team. The Company has adopted internal processes and procedures to address environmental and social risks associated with the projects being financed. Sustainalytics considers these social and environmental risk management systems to be adequate and the selection process to aligned with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Puget Sound Energy's ESG/Sustainability Committee will be responsible for the management of proceeds. The Company intends to reach full allocation within 36 months of each issuance. Pending full allocation, net proceeds may be temporarily used for repayment of short-term indebtedness or held in cash or cash equivalents in line with liquidity polices. The Company has confirmed to Sustainalytics that the refinanced debt will not be directly associated with activities or assets that are inherently carbon intensive. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Puget Sound Energy commits to report on the allocation and impact of proceeds, in a standalone report, on its website on an annual basis until full allocation. Allocation reporting will include the amount of net proceeds allocated to each eligible project, either individually or by category, the balance of unallocated proceeds that remain outstanding at the end of the reporting period, the share of proceeds used for financing versus refinancing and brief descriptions on selected projects. Additionally, Puget Sound Energy intends to report on relevant impact metrics. This is in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): Share of proceeds used for financing vs. refinancing | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |

Target populations

Other ESG indicators (please specify):
 New/total distance of transmission lines developed (km); capacity of new owned renewable energy generation facilities; capacity for new (or recommissioned) renewable energy facilities under PPA; capacity of renewable energy plant (s) served by transmission system (MW); renewable capacity connected to the grid (MW); distributed energy resources added (MW); annual efficiency improvements (%) and energy losses avoided (MWh); number of eligible vehicles deployed; number of vehicle charging stations installed; total amount of surface area supported through biodiversity programs; number of biodiversity conservation projects financed; distance in kms of transmission and distribution network that has undergone climate risk assessment; number of adaptation projects completed per adaptation plan; annual amount of wastewater avoided, reused; amount of waste reduced/diverted from landfills (tons); number of recycling projects financed; non-GHG air pollutant emissions reductions (tons or intensity); number/percentage of SME/diverse suppliers supported

Frequency:

Annual

Semi-annual

Other (please specify):

Means of Disclosure

Information published in financial report

Information published in sustainability report

Information published in ad hoc documents

Other (please specify): Standalone report

Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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