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Second Party Opinion

Berkshire Hathaway Energy's Green Financing

Nov. 10, 2022

Berkshire Hathaway Energy (BHE) owns a highly diversified portfolio of primarily regulated businesses that generate, transmit, store, distribute and supply energy. These businesses include four utility companies in the United States serving customers in 11 states, two electric distribution companies in Great Britain, five interstate natural gas pipeline companies, an electric transmission business in Alberta, Canada, interests in electric transmission businesses in the United States, and a renewable energy business primarily investing in wind, solar, geothermal and hydroelectric projects.

In our view, BHE's Green Financing Framework published on November 10th, is aligned with:

-  Green Bond Principles, ICMA, 2021
-  Green Loan Principles, LMA/LSTA/APLMA, 2021

Primary Analyst

Alex Louie
Colorado
+1-303-721-4559
alex.louie@spglobal.com

Secondary Analyst

Ashley Yen
Washington, D.C.
+1-202-280-8696
ashley.yen@spglobal.com

Corinne Bendersky
New York
+1-347-291-6288
corinne.bendersky@spglobal.com

Issuer's Sustainability Objectives

BHE's sustainability strategy is focused on climate mitigation and includes efforts to achieve net-zero greenhouse gas emissions by 2050. The company cites investment in wind, solar, and geothermal energy projects, as well as methane leak detection programs with its pipelines. Its approach considers customer affordability, regulatory compliance, and technological capabilities. In addition, BHE plans to transition its vehicle fleet to electric and expand charging infrastructure along major highways to facilitate broader use of electric vehicles (EV) within its service territory.

BHE intends to use its Green Financing Framework to communicate how it aligns its financing strategy with a focus on minimizing operational impacts on the environment. The company has also partnered with the Edison Electric Institution, American Gas Association, and members of financial community to better report key sustainability measures.

Second Party Opinion Summary

Use of proceeds

Alignment  BHE's Green Financing Framework is aligned with this component of the Principles.

Score Not aligned Aligned **Strong** Advanced

BHE commits to using net proceeds of Green Financing Instruments issued under its Green Financing Framework to fund eligible projects in the following project categories: renewable energy, clean transportation, climate change adaptation, energy efficiency. The framework outlines the relevant sustainability objectives associated with each eligible project category, as well as example projects.

Process for project evaluation and selection

Alignment  BHE's Green Financing Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

A team of treasury and sustainability representatives from BHE will determine the eligibility of projects and consider environmental and social risks in conjunction with its sustainability, legal, and operation teams. Eligible projects under the Green Financing Framework will require the chief financial officer's (CFO) approval.

Management of proceeds

Alignment  BHE's Green Financing Framework is aligned with this component of the Principles.

BHE commits to using an internal tracking system and to use reasonable efforts to reallocate proceeds if a project no longer meets eligibility criteria. In addition, BHE states net proceeds will be managed in accordance with each issuing entity's normal liquidity practices.

Reporting

Alignment  BHE's Green Financing Framework is aligned with this component of the Principles.

Score Not aligned **Aligned** Strong Advanced

BHE commits to reporting on the allocation and, when feasible, environmental impact of its Green Financing Instruments until full allocation on an annual basis.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 BHE's Green Financing Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider BHE's overall use of proceeds commitments to be strong.

BHE commits to allocating an amount equal to the net proceeds from each Green Financing Instrument for eligible project categories. Additionally, there is commitment to provide in annual reports the proportion of proceeds used for financing versus refinancing, which we see as a strong practice. Example projects include:

- Renewable energy: renewable generation and transmission projects that enable increased deployment of renewable energy.
- Clean transportation: EVs and charging stations.
- Climate change adaptation: infrastructure hardening.
- Energy efficiency: smart meters, power control devices, or other energy-saving projects.

Within each category, the framework outlines example projects and links to the relevant U.N. Sustainable Development goal. Also, the framework describes the sustainability objectives of each project category and how the projects will reduce greenhouse gas emissions. In our view, the projects support climate change mitigation and adaptation and pollution prevention and control.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 BHE's Green Financing Framework is aligned with this component of the Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider BHE's overall process for project selection and evaluation commitments to be aligned.

The framework outlines a process in which the company's treasury and sustainability team representatives determine the eligibility of projects and select them based on financing needs. In addition, the sustainability team, along with legal and operations teams, will consider environmental and social risks during the project selection process. Final project approval from the CFO is required before allocation. BHE also specifies an exclusionary list whereby the Green Financing Instrument process will not be allocated toward certain projects related to the exploration, production, transportation, or consumption of fossil fuels and nuclear energy.

The framework does not incorporate any taxonomies, standards, or third-party certifications as a part of the selection process for projects or identify any mitigants to negative social and environmental impacts from eligible projects, which we consider stronger features.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 BHE's Green Financing Framework is aligned with this component of the Principles.

BHE commits to tracking funds allocated to eligible green projects with an internal system, which is fairly standard. We view positively BHE's commitment in the framework to reallocate funds from a project no longer eligible to other eligible projects in a timely fashion. The framework states that unallocated proceeds will comply with each issuing entity's normal liquidity practices and exclusionary list of projects ensures unallocated funds are not used for fossil fuel and nuclear activities.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 BHE's Green Financing Framework is aligned with this component of the Principles.

Disclosure score



We consider BHE's overall reporting practices to be aligned.

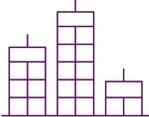
BHE will release a green financing report detailing the allocation of proceeds and, when feasible, environmental impacts at least annually and until full allocation. Allocation reporting will describe net proceeds allocated by project, when possible, proceeds used for financing or refinancing, remaining balance of proceeds, and project examples. Additionally, it will include environmental impact reporting metrics for each eligible project category, including renewable energy produced, carbon dioxide equivalent emissions avoided, and number of EVs purchased. Where feasible, the company will include the methodology and assumptions used to calculate its impact metrics. BHE will use external review procedures with their reports, and pledges to have each report reviewed by an independent auditor or external consultant.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA's) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

BHE's Green Financing Framework intends to contribute to the following SDGs:

Use of proceeds/KPI	SDGs
Renewable Energy	  *7. Affordable and clean energy 13. Climate action
Clean Transportation	 *11. Sustainable cities and communities
Climate Change Adaptation	 *13. Climate action
Energy Efficiency	  *7. Affordable and clean energy 13. Climate action

*The eligible project categories link to these SDGs in the ICMA mapping.

Second Party Opinion

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