

NW NATURAL GAS COMPANY

Sustainable Financing Report

November 15, 2022



NW Natural Holdings

NW Natural Gas Company is part of NW Natural Holding Company's, (NYSE: NWN) (NW Natural Holdings), family of companies. For over 160 years, NW Natural Holdings and its predecessors has provided the public with infrastructure and energy needed to support growing communities. Today, we manage more than 15,000 miles of gas and water transmission and distribution pipelines connecting more than 850,000 homes and businesses across the country. NW Natural Holdings owns NW Natural Gas Company (NW Natural), NW Natural Water Company (NW Natural Water), NW Natural Renewables, and other business interests.

Our Mission

At the core of our company is our mission to provide safe, reliable and affordable essential utility services and renewable energy in a sustainable way to better the lives of the communities we serve.

Our Vision

Lead in service excellence, innovation and environmental stewardship by harnessing our passion for customers.

Our Values

Since 1859, NW Natural Holdings has been a respected energy provider in the Pacific Northwest. We have maintained this reputation by keeping our five core values at the center of everything we do.



Integrity

has been our way of doing business for 163 years and guides all our actions



Safety

is our top priority in all our operations



Caring

is the way we treat one another, our customers and our neighbors



Service Ethic

provides the foundation for everything we do



Environmental Stewardship

is our legacy, and our promise to future generations

NW Natural

NW Natural is a local distribution company that currently provides natural gas service to approximately 2.5 million people in more than 140 communities through more than 790,000 meters in Oregon and Southwest Washington, with one of the most modern pipeline systems in the nation. NW Natural consistently leads the industry with high J.D. Power & Associates customer satisfaction scores. NW Natural owns and operates 21 Bcf of underground gas storage capacity in Oregon.



2021 ESG Report

As a result of our mission and values, sustainability has been incorporated in and has been at the center of our business decisions for many years. Our [2021 Environmental, Social and Governance](#) Report provides detail on how we're investing in critical infrastructure, renewable fuel sources, and energy efficiency to help bring cleaner energy to our communities. And how we're supporting our communities by focusing our spending with diverse and small businesses. We believe our sustainable initiatives are essential to help address society's climate challenges, support a healthy economy, and better the quality of life for our communities.

Sustainable Financing Framework

In November 2021, NW Natural Holdings and NW Natural introduced their [Sustainable Financing Framework](#) (Framework), which outlines the parameters under which NW Natural Holdings and NW Natural may issue Green Bonds, Social Bonds, Sustainability Bonds or other financial instruments (collectively the "Sustainable Financing Instruments"). Through these instruments and the projects that stand behind them, we're striving to contribute to the transition to a sustainable economy. The Framework establishes criteria for the use of amounts equivalent to the proceeds from issuances of Sustainable Financing Instruments to finance projects in alignment with our sustainable strategy.

NW Natural Holdings and NW Natural retained Vigeo Eiris (V.E), an independent global provider of ESG research and ratings to deliver a second party opinion that confirms our Framework is in alignment with the International Capital Market Association's Sustainable Bond Principles, 2021 (SBP).

NW Natural Sustainable Bonds

On November 15, 2021, NW Natural issued \$130 million aggregate principal amount of 3.078% Secured Medium-Term Notes, Series B, due 2051, with an amount equivalent to the net proceeds from the sale of the Notes to finance and/or refinance investments in specified "Eligible Projects" aligned with the Framework (the Sustainable Bonds). In line with the commitment detailed in the Framework, this Sustainable Financing Report describes the projects financed with the sale of the Sustainable Bonds and addresses our projected relevant environmental and social impact of such projects.

About NW Natural's Sustainability Initiatives Supported by these Bonds



Renewable Natural Gas and Energy Efficiency

NW Natural's core value of environmental stewardship is a driving force behind everything we do. We believe NW Natural has an important role to play in helping our region move to a low-carbon, renewable energy future in a more resilient and affordable way. Our long history of environmental leadership reflects the values we share with the people we serve in Oregon and Washington. Having eliminated vintage materials from our distribution system years ago, we're able to invest more of our resources in the next wave of innovations, including renewable energy and other environmental advancements. In 2021, we delivered the first environmental benefits of renewable natural gas (RNG) to our customers under our landmark Senate Bill 98 legislation, and in January 2022 we commenced operations at our first RNG facility. We believe we're the first local gas distribution utility in the continental U.S. to invest in a RNG facility on behalf of its sales customers, and construction of a second RNG facility is underway. **Allocations associated with the proceeds of from this bond helped to further our RNG infrastructure and energy efficiency efforts, contributing to greenhouse gas emission savings.** See our impact metrics below for further detail.



Diverse and Small Business Procurement

We like to say that "We Grew Up Here" because our gas utilities have operated for more than 160 years in our communities with a focus on serving our customers and investing in our communities. We believe it's not just what we do, but how we do it. That's why we feel passionately about our supplier diversity program. Through this program we seek to source goods and services from minority-owned, women-owned, veteran-owned, LGBTQ-owned and small businesses. NW Natural's goal is to increase the number of diverse companies we do business with and the amount we spend with them, allowing NW Natural to broaden our partnerships and support our local economies. **Allocations associated with the proceeds from this bond helped support \$52 million of purchases from diverse and small businesses.**



Green Headquarters and Operations Center

Finally, NW Natural doesn't just focus on sustainability for our customers, our values are also reflected in our operations, at our facilities and through policies and procedures that aim to protect our environment as we serve customers. That's why in March 2020, we moved our headquarters and operation center in Portland, Oregon to a building that is LEED gold certified for its core and shell, meeting the U.S. Green Building Council's rigorous standard for healthy and sustainable buildings. The building was constructed with environmental stewardship, seismic resiliency, and employees' health and wellness in mind, and these values also inform how we operate this center today. See our [2021 ESG Report](#) for more details on the ways this building allows us to use less energy, conserve natural resources, and minimize waste and support our strategic goals. **The allocations associated with the proceeds helped to construct the building and make ongoing lease payments.**

NW Natural Sustainable Bonds

The net proceeds from the sale of the Sustainable Bonds were approximately \$129.0 million (after deducting the underwriting discount but before deducting estimated offering expenses). Amounts equivalent to such net proceeds were intended to be allocated to finance and/or refinance, in whole or in part, investments in one or more new or existing Eligible Projects within 36 months prior and 24 months subsequent to the date of the issuance, with no more than 75% of such intended to be allocated to refinance existing Eligible Projects. Eligible Projects, as set forth in the "Supplemental Use of Proceeds" section of the Prospectus Supplement and as defined in the [Sustainable Financing Framework](#), align with NW Natural's sustainability strategy, and fall into one or more of the following categories: Renewable Energy, Green Buildings, Energy Efficiency, and Supplier Diversity Program.

Issuing Entity	NW Natural Gas Company
Sustainable Financing Instrument	Sustainable Bonds
Ratings	A2 (stable) by Moody's Investor Service, Inc. AA- (stable) by S&P Global Ratings
Trade Date	November 8, 2021
Settlement Date	November 15, 2021
Maturity Date	November 15, 2051
Principal Amount	\$130.0 million
Net Proceeds	\$129.0 million
Coupon	3.078%
CUSIP	66765R CK0



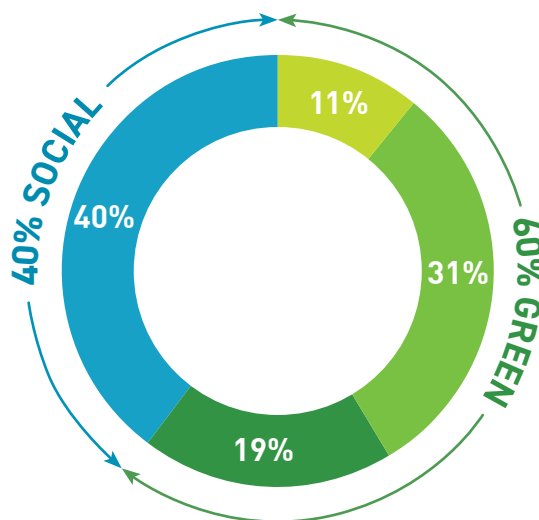
Allocation Report

As of June 30, 2022, an amount equivalent to the net proceeds from the issuance of the Sustainable Bonds was used to finance and/or refinance investments in Eligible Projects. For this purpose, we refer to the "Refinance Period" as the period prior to issuance of the Sustainable Bonds from January 2019 through October 2021 and the "Current Period" as the period following issuance of the Sustainable Bonds from November 2021 through June 2022.

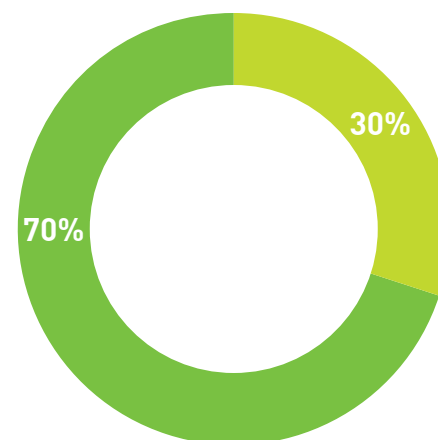
An independent registered public accounting firm has examined management's assertion that an amount equivalent to the net proceeds from the issuance of the Sustainable Bonds has been used for Eligible Projects and such independent registered public accounting firm has provided an attestation in accordance with attestation standards established by the American Institute of Certified Public Accountants. Both management's assertion and the third-party attestation may be found on the [Sustainability](#) section of NW Natural's website.

NET PROCEEDS \$129.0 MILLION
Allocated 100%










**Allocation of Net Proceeds
by Eligible Project Category**



**Allocation of Net Proceeds
to Refinance or Finance
Eligible Projects**



Projects and Impacts

Eligible Project Category	UN Sustainable Development Goals	Eligible Project Criteria	Projects	Impact Metric or Indicator	Use of Proceeds (in millions)
Renewable Energy	 	<p>Expenditures and investments related to the construction, development, expansion, production, acquisition, maintenance, transmission, research and development, and operation of renewable energy generation and infrastructure including:</p> <ul style="list-style-type: none"> • Renewable natural gas¹ • Hydrogen 	<ul style="list-style-type: none"> • Lexington RNG Facility • Dakota City RNG Facility 	<p>Carbon Intensity Scores & Impact Metric</p> <ul style="list-style-type: none"> • Lexington 32.57 g CO₂e/MJ carbon intensity score • Dakota City 20.99 gCO₂e/MJ carbon intensity score • A combined average estimated greenhouse gas savings of 56,848 metric tons of CO₂e levelized over the facilities' life 	\$14.0
Energy Efficiency	 	<p>Programs to aid customers with energy efficiency.</p>	<ul style="list-style-type: none"> • Energy Trust programs that assist customers with energy efficiency projects 	<ul style="list-style-type: none"> • Levelized estimated life greenhouse gas savings of 299,305 metric tons CO₂e² 	24.0
Green Buildings	 	<p>Expenditures related to the new construction/renovation, development, expansion, maintenance, rent or operation of offices or service centers that have received or are expected to receive LEED Gold or Platinum certification.</p>	<ul style="list-style-type: none"> • Headquarters and Operations Center in Portland, Oregon 	<ul style="list-style-type: none"> • Core and Shell LEED Gold Certified 	39.0
Supplier Diversity Program	  	<p>Diverse Supplier Procurement and Empowerment — expenditures and program investments related to enabling opportunities for diverse business enterprises (minority-owned, women-owned, veteran-owned, LGBTQ-owned, and/or small businesses).</p>	<ul style="list-style-type: none"> • Diverse supplier program • Small business supplier program 	<ul style="list-style-type: none"> • \$25 million spend with diverse suppliers • \$27 million spend with small businesses 	52.0
TOTAL USE OF PROCEEDS					\$129.0

¹ Adhered to the feedstock criteria under the DIRECTIVE (EU) 2018/ 2001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL—of 11 December 2018—on the promotion of the use of energy from renewable sources (europa.eu)

² Estimated savings are based on Oregon energy efficiency program estimates from the Energy Trust

Forward-Looking Statements

This report and other materials prepared by NW Natural Holdings or NW Natural from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to the safe harbors created by such Act. Forward-looking statements can be identified by words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects" and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the following: plans, objectives, estimates, timing, goals, strategies, future events, projections, expectations, outlooks, commitments, intentions, acquisitions and timing, completion and integration thereof, infrastructure investments, safety and implementation of safety initiatives, system modernization, improvements and reliability, infrastructure resiliency, risk management programs, commodity costs and sourcing, competitive advantage, marketing, service territory, customer service including implementation of new customer service technologies, customer and business growth, customer satisfaction ratings, weather, customer rates, customer preference, business risk, efficiency of business operations, business development and new business initiatives, water and wastewater industry and investments including timing, completion and integration of such investments and related operational initiatives, financing plans, financial positions and performance, credit ratings, expenses, economic and housing market trends and performance, capital expenditures, technological innovations and investments, strategic goals and visions, environmental or social impacts of projects and investments, environmental initiatives, decarbonization and the role of natural gas and the gas delivery system, including use of renewables, carbon emissions, targets and savings, renewable natural gas projects or investments and timing and completion thereof, renewable hydrogen projects and programs, procurement of renewable natural gas for customers, energy efficiency initiatives, carbon offset projects, investments and funding, energy usage and savings, operational sustainability initiatives and impacts, diversity, equity and inclusion initiatives, including procurement initiatives, the regulatory environment, timing or effects of future regulatory proceedings or future regulatory approvals, effects of legislation and changes in laws and regulations, including but not limited to carbon, renewable natural gas and renewable hydrogen regulations, effects, extent, severity and duration of the COVID-19 pandemic and resulting economic disruption, the ability of

our workforce, customers or suppliers to operate or conduct business, financial impact, governmental actions and timing thereof, and other statements that are other than statements of historical facts.

The forward-looking statements contained in this report are provided for the general information of our stakeholders and are not intended to induce any sales or purchases of securities or to be used in connection therewith for any investment purposes. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements, so we caution you against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed by reference to the factors described in Part I, Item 1A "Risk Factors," and Part II, Item 7 and Item 7A "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosure about Market Risk" in the Company's most recent Annual Report on Form 10-K, and in Part I, Items 2 and 3 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk", and Part II, Item 1A, "Risk Factors", in the quarterly reports filed thereafter. All forward-looking statements made in this report and all subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NW Natural Holdings or NW Natural, are expressly qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. New factors emerge from time to time and it is not possible to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.