



# Green Financing Framework

April 2023



## About Fredrikstad Energi

Fredrikstad Energi is the owner of companies within energy, infrastructure and technology. The group consists of the parent company Fredrikstad Energi AS and subsidiaries within two business areas:

- Grid – owner and operator of distributional power grid.
- Services – business services for power, grid and energy companies in Norway

The company is owned by Fredrikstad municipality (51%) and the Hafslund Eco group (49%). Fredrikstad Energi's history stretches back to when Fredrikstad Gas- og Electrisitetsværk was established in 1895, and the group has operated in the Fredrikstad region for over 125 years.

### **Grid**

Fredrikstad Energi's main business is the grid company Norgesnett, the eight largest grid company in Norway, measured by number of customers in the distribution grid. Norgesnett is responsible for the development, operation, and maintenance of the distribution grid to customers in the Fredrikstad region (except the municipal area Onsøy), Hvaler, Ski, Enebakk, Nesodden, Røyken, and Askøy, through a license from NVE. Norgesnett supplies more than 100,000 households, leisure properties, and businesses with electricity, with a goal of achieving high security of supply at a lower price for customers.

Norgesnett is one of Norway's most efficient distribution grid companies, with 108% DEA efficiency in its distribution grid for 2023. Norgesnett builds the grid in accordance with the REN standard, with additional specifications, contributing to a more efficient and sustainable grid with respect to grid losses, use of environmental oil and goals of reducing the use of SF6 switchgear.

### **Services**

The services business area is made up of Fredrikstad Energi's subsidiary MAIK, one of Norway's largest suppliers of metering, settlement and collection services in the energy industry. MAIK delivers services related to business-critical work processes for grid and power companies in Norway and has the industry's most complete range of services.

### **Other interests**

Fredrikstad Energi holds financial interests in other companies within energy, infrastructure and technology. This includes 60% of Nettpartner AS, one of Norway's largest companies within installation of electrical infrastructure within the electrical grid and the grid related to rail transportation. Fredrikstad Energi also holds minority interests in the power retailer Yve AS, grid infrastructure software provider eSmart Systems AS, real-time metering provider NxtEnergy AS and other.

## Sustainability at Fredrikstad Energi

For Fredrikstad Energi, the protection of society and the environment is an important strategic focus area. We work every day to take social responsibility into account by including social and environmental considerations in our daily operations.

We want to create long-term value for society by finding sustainable and efficient solutions for the growing demand for electricity and flexible access to power, and view electrification of the transport and industry sectors as an important instrument for securing jobs and achieving local and national emission reduction targets. Our stakeholders are our customers, owners, employees, lenders, suppliers, and public authorities.

Our sustainability priorities include:

- Facilitate increased electrification
- Choose environmentally friendly solutions for the development and operation of grid facilities
- Develop local expertise in electrification
- High energy security and reliability
- Make sustainability demands on subcontractors



## Environmental impact

From an environmental perspective, we bring climate and environmentally friendly energy to homes, holiday properties, and industries. This enables the electrification of activities that would otherwise depend on fossil fuels, like heating of residential properties, industrial processes and transportation. We believe that distributed renewable energy production and facilitating the electrification of industry are important contributions to limiting natural encroachment and reducing the local negative impact on the climate and environment. Fredrikstad Energi's grid subsidiary delivers some 2 TWh per annum of power to its customers. Through investing in capacity increases and maintenance of the grid, Fredrikstad Energi contributes to increased access to electricity and increased security of energy supply. This enables the electrification of industrial processes and electrification of transportation, which reduces CO2 emissions.

The parent company and its subsidiaries are Eco-Lighthouse Certified. Fredrikstad Energi requires that subcontractors are environmentally certified. Fredrikstad Energi's ambition is that all company cars shall be electric. The companies in the group follow the guidelines that exist with regard to the removal of environmentally hazardous waste, and arrangements have been established for sorting at the source. The companies have established routines for the collection and storage of environmentally hazardous masts, and have their own routines for the storage of transformer oil and other chemicals. When building new substations, requirements are set that they will as much as possible be free of sulphur hexafluoride gas (SF6), a powerful greenhouse gas. MAIK, the group's services company, will be climate neutral and buys climate quotas to compensate for their emissions which mainly comes from ordinary office work.

Norgesnett has a high degree of outsourcing in comparison to other comparable companies and procures approximately NOK 300m in products and services from suppliers each year. The new tender contract to suppliers of Norgesnett AS' regarding grid repair, grid maintenance and grid installation has a weighting of 10-30% connected to sustainability. In connection to the new tender, Norgesnett shall implement a system to reuse infrastructure that is disassembled from the grid, thereby reducing the CO2 footprint and increasing the cost efficiency of the grid. The suppliers shall also describe its plans to reduce their CO2 footprint and plan to switch their car park to electric.

Norgesnett aims to maintain high supply security and quality by investing in the power grid, with an expected KILE at the same level as today. KILE is the economic penalty to grid companies, associated with power outages. Norgesnett prioritizes risk-based maintenance and reinvestment in vulnerable grid facilities, including risk-based line clearance to minimize costs and KILE associated with power outages. Norgesnett has its own dedicated Sustainability Director, driving continuous improvement of sustainability, through working closely with internal stakeholders and with suppliers.

The Group companies all work towards enabling a higher share of solar produced and consumed in the distribution grid. The group companies have worked closely together to enable "Verksbyen", a large residential development in Fredrikstad to produce and share electricity among themselves, and deliver excess production to

the grid. This is the first of its kind in Norway. The metering and invoicing solution has been developed and delivered by MAIK.

## **Social responsibility**

Social responsibility is closely linked to our mission to provide electricity. We must always ensure that we do not contribute to the violation of human and employee rights, or to corruption, and we have implemented the routines required by the Norwegian Transparency Act (Åpenhetsloven). We aim to go beyond statutory requirements when it comes to promoting a healthy workplace, and have implemented initiatives such as arrangements for flexible working, support for training, professional development, and health insurance. We also offer job training for employees who may have fallen out of working life, as well as summer jobs for students and opportunity for students to write papers in cooperation with Fredrikstad Energi. We contribute to our local communities, for example through increased network capacity for local companies and sponsorship funds for local sports and culture associations. and activities aimed at youth.

## **Eco-Lighthouse Certification**

Within the Fredrikstad Energi Group, the parent company and the subsidiary companies Norgesnett and Maik, are Eco-Lighthouse certified since 2012. This means that we meet criteria and implement measures for more environmentally friendly operations and safeguard a good working environment. Eco-Lighthouse is Norway's most widely used certificate for companies that want to document environmental efforts and demonstrate social responsibility.



## **Task Force on Climate-Related Financial Disclosures (TCFD)**

In 2022, Fredrikstad Energi conducted reporting on climate-related opportunities and threats in alignment with the TCFD recommendations. This analysis considers the company's governance, strategy, risk management, and metrics and targets, and utilizes scenario analysis to identify the potential impacts of climate on the business. The full TCFD report is available in Fredrikstad Energi's annual reporting.



# Green Financing Framework

The following Green Finance Framework (the "Framework") has been developed as part of Fredrikstad Energi's ongoing work with sustainability. The International Capital Markets Association (ICMA) Green Bond Principles (GBP) 2021 provide voluntary guidelines to support issuers in financing environmentally sound and sustainable projects, while providing transparency and insight into their estimated impact. The principles promote integrity in the development of the green bond market by clarifying the approach for issuing a Green Bond. The Framework is structured in alignment with both the ICMA Green Bond Principles (GBP) 2021, as well as the LMA and APLMA Green Loan Principles (GLP) 2021, and therefore consists of the four key components and recommended External Review.

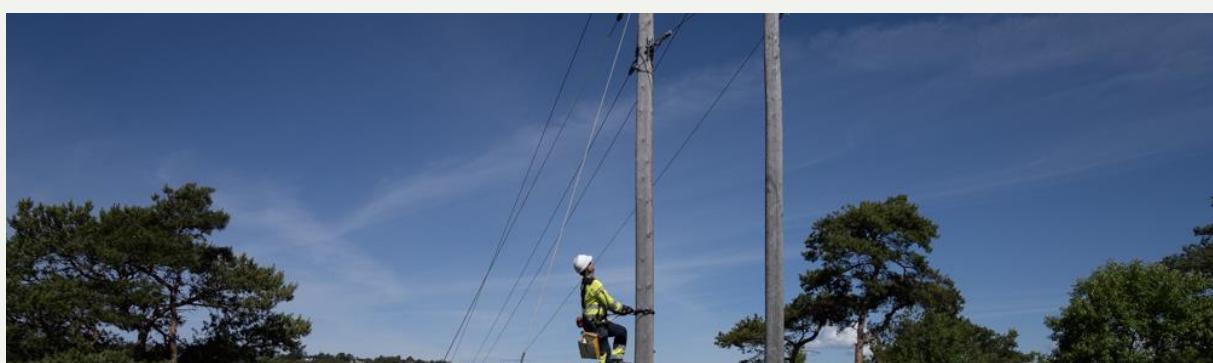
1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External Review

In addition to Green Finance Instruments issued by Fredrikstad Energi in the capital market, the company may have Green Loans provided by lending institutions. Green Loans taken by Fredrikstad Energi may be provided by lending institutions that finance these by issuing Green Bonds. Fredrikstad Energi will report the aggregate amount of Green Loans taken and specify each Eligible Project that has been financed by a Green Loan in a separate section of the Green Finance Investor report.

It is Fredrikstad Energi's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develop and as the EU classification of environmentally sustainable economic activities (the Taxonomy) and the EU Green Bond Standard enter into force. Therefore, Fredrikstad Energi Green Finance Framework may be amended and/or updated to reflect the changes in market practice.

## Exclusions

Green Bonds and Loans net proceeds will not be allocated to projects for which the purpose of the project is fossil energy production or nuclear energy generation.



## 1. Use of Proceeds

The net proceeds of the Green Bonds issued, or Green Loans obtained by Fredrikstad Energi will be used to finance or re-finance Eligible Projects that have been evaluated and selected in accordance with this Green Financing Framework. Due to the long-term nature of Fredrikstad Energi's activities, refinancing of Eligible Projects will not be subject to a look-back period. Criteria for eligible projects in which Fredrikstad Energi can allocate Green Use of Proceeds under this framework are outlined below.

Categories	Eligible Projects	UN SDGs
Energy Efficiency - Power network	Grid investments as defined by the regulatory asset base (NO: Nettkapital) as reported. The regulatory asset base is approved by the Norwegian Energy Regulatory Authority (NVE-RME) on an annual basis. Projects under construction that will enter into the regulatory asset base when completed are also included.	 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all
	Development and implementation of digital tools to increase grid efficiency, and/or investments in smart grids.	 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Energy Efficiency - Electrification	Development and implementation of digital tools to increase grid efficiency, and/or investments in smart grids.	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
	Infrastructure and support of the electrification of economic activities and transportation (e.g. EV charging, electrification of ferries and public transportation)	 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all
Energy Efficiency - Electrification	Infrastructure and support of the electrification of economic activities and transportation (e.g. EV charging, electrification of ferries and public transportation)	 8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
		 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



## 2. Selection and Evaluation of eligible projects

Fredrikstad Energi has established a Green Finance Committee (GFC) to evaluate and select assets that are in line with the criteria set out in the Use of Proceeds section. The committee meets at least on an annual basis or when needed. The Green Finance Committee is comprised of representatives from the Group's finance function, Norgesnett's designated Sustainability Director and Norgesnett's Director of Grid Development. The group sustainability representative has veto.

The Green Finance Committee is responsible for:

**Evaluating** the compliance of proposed assets with the eligibility criteria outlined in the Use of Proceeds section above.

**Ensuring** that the pool of Eligible Projects is aligned with the categories and criteria as specified in the Use of Proceeds section.

**Replacing** investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.)

On a best effort basis, reviewing and updating the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Company's corporate strategy, technology and market developments.

## 3. Management of proceeds

Fredrikstad Energi will establish a Green Financing Register to monitor Eligible Projects financed by the Green Bonds and Loans, as well as to provide an overview of the allocation of the net proceeds from the Green Bonds and Loans issued to the respective Eligible Projects. The value of the Eligible Projects detailed in the Green Financing Register will at least equal the aggregate net proceeds of all outstanding Fredrikstad Energi Green Bonds and Loans. There may be periods when the total outstanding net proceeds of Green Bonds and Loans exceeds the value of the Eligible Projects in the Green Financing Register. Proceeds yet to be allocated towards Eligible Projects will be held and managed in accordance with Fredrikstad Energi's liquidity management policy. The Green Financing Register will form the basis for the impact reporting.

## 4. Reporting

Fredrikstad Energi will provide a Green Financing Investor Report on an annual basis containing information on the allocation and impact of the securities issued under this framework. Fredrikstad Energi intends to report on quantitative impact indicators where feasible and where relevant data is available. The Green Financing Investor Report will include the two following reports:

## Allocation Reporting

1. A description of the portfolio of Eligible Assets;
2. Type of financing instruments utilized and respective outstanding amounts;
3. Information on the split between new financing and re-financing;
4. A list of Eligible Projects including the amounts allocated, including allocated and disbursed amounts per category and geographical distribution.

## Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Projects financed under this Framework, based on Fredrikstad Energi's financing share of each project. As Fredrikstad Energi can finance large and small Eligible Projects in the same Project Category, impact reporting will, to some extent, be aggregated.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis. The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the table below.

GBP Categories	Examples of impact indicators
<b>Energy efficiency</b>	<ul style="list-style-type: none"><li>• Grid capacity at the distribution transformer level</li><li>• Share of SF6 load disconnect switches</li><li>• A list of electrification projects financed with proceeds of green financing and a qualitative explanation</li><li>• Share of customers who produce power and also deliver it to the grid (Pluss customers)</li></ul>

## 5. External Review

### Second party opinion (pre-issuance)

Fredrikstad Energi has engaged [SPO Provider] to act as an external verifier of this Green Financing Framework and the Eligible Projects in order to secure alignment with national and international guidelines.

### Third-Party Review (post-issuance)

Fredrikstad Energi will not appoint an external third party to annually assure the selection process for the Fredrikstad Energi Green Financing Framework. A review will be done by Fredrikstad Energi's Finance function.

### Publicly Available Documents

The Green Financing Framework, the second party opinion, the third-party review, and the Green Financing Investor Letter will be publicly available on Fredrikstad Energi's website.