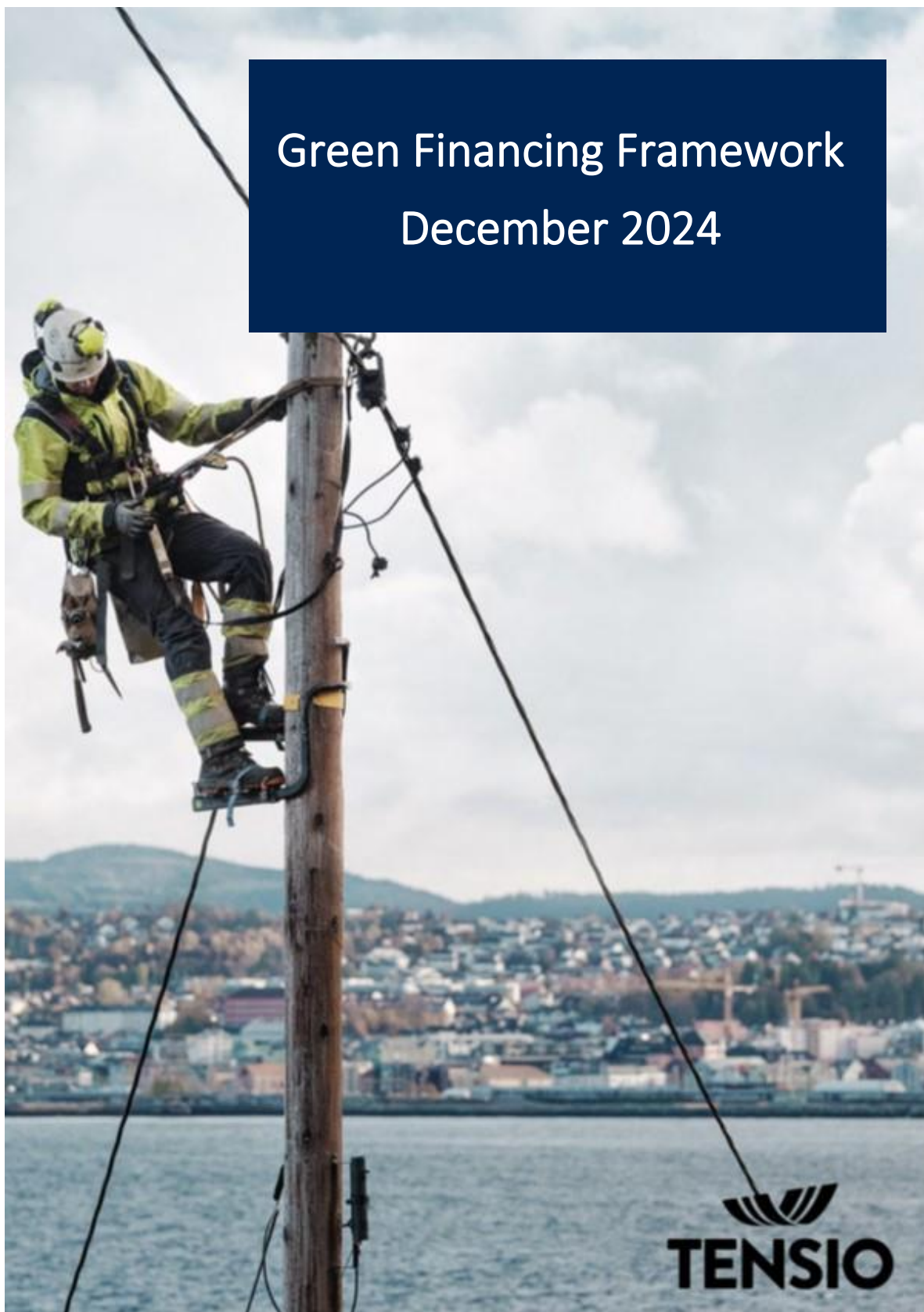


**Green Financing Framework  
December 2024**



## About Tensio

Tensio is one of Norway’s largest power utilities and is responsible for the power supply to Trøndelag. The supply area covers an area the size of Denmark and has a population of around 500,000 inhabitants. The Tensio AS Group comprises Tensio TS (Trøndelag sør) and Tensio TN (Trøndelag nord) as subsidiaries, owned by TrønderEnergi AS (40%), Nord-Trøndelag Elektrisitetsverk AS (40%) and KLP (20%).

## Sustainability at Tensio

Tensio aims to be a catalyst in the green transition. By distributing electricity from renewable energy in a safe and predictable way, Tensio can facilitate society's success in the transition towards net zero emissions. Major efforts will be required to ensure that the power grid has the capacity to distribute enough power to meet the electrification needs necessary to achieve Norway's climate goals.

The energy system is becoming increasingly integrated, digitalized, and customer-driven. This provides the basis for new energy solutions and technologies that can enable better utilization of Tensio's existing power grid, thereby limiting the environmental and climate impacts associated with traditional network development.

To succeed as a driving force in the green transition and towards a more sustainable society, Tensio must be perceived as a safe and attractive workplace where employees are well cared for and where training and development are promoted. This will be an important foundation for access to new expertise and diversity within the organization. Furthermore, responsible governance is important to ensure a societally value-creating power system, as well as to ensure compliance with new legal requirements related to sustainability that will affect the business. Together, these areas form the foundation of our sustainability strategy, further outlined in figure 1 below.





Focus areas:	Reduced climate impact	Enabler of sustainable societal development	Safe and attractive workplace	Responsible governance
<b>Ambition</b>	Continuous focus on reducing Tensio’s climate impact	Through innovation and collaboration, Tensio takes an active role in the green transition	Inclusive employer who puts safety first	Ensure a societal value-creating power system
<b>Material issues</b>	<ul style="list-style-type: none"> <li>Impact on nature</li> <li>Greenhouse gas emissions</li> <li>Material use and circularity</li> </ul>	<ul style="list-style-type: none"> <li>Green transition</li> <li>New energy solutions</li> <li>Local communities</li> <li>Knowledge sharing</li> <li>Digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Health, environment and safety</li> <li>Working environment</li> <li>Equality and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Responsible suppliers and value chain</li> <li>Efficient corporate governance and operations</li> <li>Regulatory changes and requirements</li> <li>Security of supply and preparedness</li> </ul>
<b>Measures</b>	<ul style="list-style-type: none"> <li>Calculate and report on Scope 1, 2 and 3 emissions</li> <li>Establish short- and long-term plan for emissions reductions</li> <li>Documenting our impact on nature and map climate-related risks in accordance with the TCFD</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge sharing to stimulate more sustainable energy use in society</li> <li>Develop solutions across value chains together with other actors</li> <li>Continuously map new energy solutions and digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Actively follow up on all the measures in the HSE commitment</li> <li>Strengthen the work environment and culture</li> <li>Enhance competence development in the company</li> <li>Develop an action plan for equality and diversity with employee involvement</li> </ul>	<ul style="list-style-type: none"> <li>Impose environmental and social requirements on suppliers in accordance with upcoming legal requirements</li> <li>Fulfill all relevant recommendations from the Norwegian Corporate Governance Board</li> <li>Actively work with authorities to ensure a positive development of Norway’s energy system</li> </ul>
<b>Sustainability targets</b>				

Figure 1: Overview of Tensio’s sustainability strategy

Tensio's sustainability strategy is based on a materiality analysis which was conducted to identify which sustainability themes Tensio should prioritize, measure and report on. The materiality analysis was carried out and involved interviews with both internal and external stakeholders. The themes that were found to be most significant were prioritized and integrated into our sustainability strategy. Tensio's sustainability strategy has also been integrated into the overall corporate strategy and business plan, ensuring that sustainability is embedded throughout the operations, regardless of business and functional areas.

### **Reduced climate and environmental footprint**

The consequences of climate change necessitate a shift towards a low-emission society. The development, management, and operation of the power grid are crucial prerequisites for facilitating this transition. The utility industry must also be aware of its own greenhouse gas (GHG) emissions.

Network development is land-intensive and puts pressure on nature. Therefore, it is important that Tensio actively works to find solutions that specifically minimize the climate footprint, the impact on nature, and consider biological diversity.

### **Impacts on nature**

The utility industry is exposed to natural risks. These include negative impacts on, for example, ecosystems, birds and reindeer.

Tensio's goal for the area is to reduce the impact on nature both in our own operations and among subcontractors. All major grid investments carried out by Tensio are subject to statutory requirements to prepare environmental, transport, and construction plans. Further, Tensio strives to document potential conflicts that may arise with local reindeer husbandry and the reindeer population in construction and operational processes. Developments of the grid can impact threatened ecosystems such as wetlands, which can lead to GHG emissions and biodiversity loss. Therefore, impact on wetlands is part of the criteria in the decision-making process for choosing locations for new grid infrastructure.

In line with national directives and sustainability goals, Tensio is taking measures to reduce the amount of harmful substances in grid components and infrastructure. This includes reducing the use of creosote-containing components in the overhead grid and oil-insulated cables in the underground cable grid with more environmentally friendly substitutes.

Furthermore, Tensio has conducted a climate risk assessment, in line with the requirements of the EU Taxonomy, to identify the most significant physical climate risks relevant for the development, construction, and operation of the electricity grid in Trøndelag. These are currently being integrated into the existing frameworks for risk and vulnerability analyses.

## GHG emissions

The world still has a long way to go to reach the 1.5-degree target. Norway has submitted an enhanced climate goal to the UN and has set a target to reduce GHG emissions by at least 55 percent by 2030. The largest source of GHG emissions in the utility industry is grid losses. Continuous upgrading of the power grid is an important prerequisite for reducing grid losses, but a certain amount of grid loss is inevitable.

SF6 gas, which is utilized in grid facilities, is also central to the utility industry's GHG emissions, especially in connection with leaks that can occur due to technical faults. SF6 gas is a very potent greenhouse gas and is 23,500 times more powerful than CO<sub>2</sub>. The power grid also has a large geographical spread, which entails high transport needs in connection with the development and maintenance of the grid.

Tensio continuously works to reduce grid losses. Ongoing upgrades and maintenance, as well as new control technology that allows the grid to be optimally divided in relation to expected future production and consumption, are key points in this work. This will help reduce energy loss in the distribution grid. At the same time, increased electrification and increased load/utilization on the grid infrastructure will, in isolation, lead to increased grid losses.

Tensio has long strived to limit emissions of SF6 gas and reduce the use of insulating oil in our cables. The total volume of SF6-related emissions and usage is mapped and reported on an

ongoing basis, and developments regarding alternatives to the gas are continuously monitored and evaluated. Tensio has decided to phase out SF6 from the distribution network, and no new components or infrastructure will use the gas. This has resulted in new SF6-free transformer stations with switches that do not use SF6 as insulation gas, leading to substantial GHG emissions savings in our operations.

Tensio is also focusing on reducing transport needs through better planning of deliveries, more use of drones for monitoring the power grid, and gradually increasing the proportion of fossil-free vehicles in the car and construction fleet. Tensio will actively justify the choice if fossil-free alternatives are not selected when acquiring vehicles or construction machinery.

## Material Use and Circularity

Increased material recycling is important as the extraction of raw materials puts increased pressure on natural resources. More efficient utilization of materials reduces the need for extracting new resources as well as the need for emission-intensive waste management at the end of the material's life cycle. Material use is also a significant sustainability theme for Tensio as it accounts for a considerable part of our climate footprint in the value chain. Transitioning to a more resource-efficient circular economy requires Tensio to reuse and recycle waste more extensively and develop our understanding of circular opportunities related to grid infrastructure.

To align with the EU Taxonomy, utilities are required to have a waste management plan with the highest degree of circularity. Tensio has a waste plan in place and is working to increase the proportion of reusable materials, such as from dismantled overhead lines or other infrastructure. In addition, efforts are being made to explore the possibilities of using more sustainable materials to minimize our footprint. Moreover, sustainability is part of the criteria for procurements and in the selection of materials.

### **Enabler of sustainable societal development**

The green transition requires a significant increase in power production and will accelerate the need for expansion of the electricity grid. Forecasts show that Norway's power production must increase by 50 percent by 2030 if Norway is to meet its climate goals. At the same time, while there is a need for expansion, the utility industry has a responsibility to avoid unnecessary grid development. In addition to increasing capacity, the utilization of the existing electricity grid must be significantly increased.

New energy solutions and digital technology are crucial elements that must be utilized to increase the efficiency of the existing infrastructure. Tensio has set a goal to free up 550 MW of power in the grid by the end of 2025 by exploiting grid and customer flexibility, as well as adopting new energy carriers. Through innovation and collaboration, Tensio will take an active role in the green transition.

### **Green transition**

Norway's energy consumption per capita is the second highest in Europe. More sustainable energy consumption can reduce this consumption trend, minimize the load on the electricity grid, and reduce energy costs. Specifically, distributing energy consumption can help reduce peak loads that challenge grid capacity. This is important in order to avoid unnecessary development of the electricity grid.

Tensio actively contributes to the green transition with customers by facilitating the replacement of fossil energy use with renewable energy. This includes facilitating the transition to electric cars for private customers and electrification projects for commercial customers.

### **New energy solutions and digital technology**

New energy solutions and digital technology can help create a more integrated energy system. Here, new energy solutions can reduce peak loads and increase flexibility in the electricity grid. Digital technology offers great opportunities for streamlining operations. Within new energy solutions, for example, batteries and hydrogen can be used to store electricity from solar and wind and transfer on to areas with weak capacity access. New local power production from solar and wind can contribute to better utilization of the capacity in the electricity grid. By using new technology, Tensio can develop new customer services to contribute to better and more sustainable energy use, increase the use of drones to simplify monitoring, operation, and

troubleshooting, and simplify the connection process for customers. The need for technology is reinforced by changing customer needs, an increased focus on customer experience, and a greater need to understand and predict customer behavior.

The green transition requires collaboration between different actors with complementary skills to meet the future's increasing and more complex needs. Tensio will accelerate its contribution to the green shift by continuing to be active in R&D projects and taking an even clearer role as a collaborative and sparring partner for authorities, suppliers, customers, and other actors in the energy industry. For example, Tensio has piloted large grid batteries for power and energy support in the electricity grid together with Eidsiva and won an innovation award for this project in 2023. Going forward, much of the focus within R&D will be on new solutions to support society's needs for electrification and green transition, which will require more demonstration and piloting of new technologies and business models.

### **Local community**

Grid expansion can have negative impacts on the local environment if surrounding areas are not properly considered. Local communities expect Tensio to be aware of how we can reduce our negative impact on the surroundings. Therefore, it is essential for Tensio to create understanding and security among the local population regarding new projects and their potential impact on the external

environment. Tensio also contributes to growth in local communities by offering jobs, being a provider of expertise, and creating value for smaller companies that Tensio makes use of.

Tensio's most important contribution is to ensure a stable energy supply, which is a fundamental prerequisite for the functions and welfare of society. The major sources of faults in the electricity grid are climate-related, particularly in relation to storms, floods, and landslides. The weather is expected to become more extreme in the coming years, which may lead to more power outages. Nevertheless, Tensio has a goal to maintain the uptime in the electricity grid above 99.98% each year moving forward.

### **Safe and attractive workplace**

It is crucial that our construction activities and operations are carried out without compromising the health and safety of our employees. A good working environment contributes to ensuring the health and well-being of our employees and strengthens Tensio's productivity and results. Tensio must also be able to attract new smart minds and skilled professionals. A clear focus on inclusion, equality, and diversity is an essential prerequisite for developing an attractive workplace.

Today, the network industry is male-dominated. This is also true for Tensio. Tensio has a goal to achieve a more gender-balanced and diverse workplace, to increase our attractiveness, well-being, and inclusivity. Overall, Tensio aims to be an inclusive employer that prioritizes safety first.

## Responsible corporate governance

Good business ethics based on integrity and professionalism are fundamental for a sustainable business. This provides Tensio with the social and legal basis to operate and is important for attracting partners as a foundation to ensure long-term value creation in the company.

Securing and maintaining a responsible supplier and value chain is a central part of Tensio's sustainability work. Tensio has suppliers from various parts of the world that contribute to the success of its operations, and transparent dialogue with suppliers is crucial for success. This is maintained through Tensio's ethical guidelines. These guidelines set minimum requirements in relation to procurements for Tensio's suppliers, subcontractors, and manufacturers, and reflect the promotion and expectations when it comes to human rights and decent working conditions in the supply chain. Another requirement of the guidelines is for suppliers and partners to act in accordance with our zero tolerance for corruption.

Tensio's overarching goal is to continuously drive suppliers' sustainability efforts through environmental and social requirements, continuing to conduct due diligence assessments, and implementing measures in the event of a risk of breaches of the requirements. We also review suppliers on an ongoing basis to prevent and address real and potential negative impacts in our supply chain.

As part of new legal requirements for sustainability reporting for utilities, Tensio reports in accordance with the requirements of the EU Taxonomy and the Transparency Act, which came into force in July 2022 and is meant to aid companies in meeting challenges of human rights abuses and indecent working conditions in connection with the production of goods and provision of services in Norway and supply chains across the world.

In terms of Taxonomy reporting, Tensio has, in 2023, assessed all the company's economic activities against the Taxonomy criteria. In regards to Tensio's main eligible activity – "Transmission and distribution of electricity" – close to 100% of our turnover, investments and operating expenditures are aligned with the relevant criteria. This implies that Tensio's activities contribute to the Taxonomy's climate change mitigation goal, while also complying with the criteria for not harming any of the other environmental objectives (the Do No Significant Harm criteria) and while respecting human rights and following good business conduct rules (the Taxonomy's "Minimum Safeguards").

Lastly, we have established a plan for how to meet the requirements that will follow from CSRD and will report according to the ESRS for the calendar year 2024. The CSRD report will be certified by Tensio's external auditor.

## Tensio's rationale for Green Financing

Tensio has developed this Green Financing Framework as part of our work to be a driver in the green transition. This Green Financing Framework is structured in alignment with the ICMA Green Bond Principles (GBP) 2021 (with June 2022 Appendix I) and the LMA, APLMA and LSTA Green Loan Principles (GLP) 2023.

The four core components of the GBP and GLP form the basis of the framework along with the recommendation of external review:

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

It is Tensio's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develops. Therefore, Tensio's Green Financing Framework may be amended and/or updated to reflect the changes in market practice or the company's overall sustainability focus.

The framework allows Tensio to raise capital through green financing such as bonds and loans (Green Financial Instruments). The terms and conditions of the underlying documentation for each Green Financial instrument issued by Tensio shall provide a reference to this Framework.





## 1. Use of Proceeds

### Allocation of net proceeds

An amount equal to the net proceeds from Green Financial Instruments issued by Tensio will finance or refinance, in whole or in part, investments undertaken by Tensio or its subsidiaries. The table below will define the criteria for projects which are eligible for financing under this framework. These projects will be defined as “Eligible Projects”. Due to the long-term nature of the assets, the Eligible Projects will not be subject to a look-back period.

### Exclusions

Proceeds from Green Financial Instruments will not be allocated to assets or projects for which the purpose is fossil energy production, environmentally harmful resource


extraction, weapons and defense, gambling, or tobacco.

Estimated amounts for assets using SF6 gas will be deducted from the portfolio of Eligible Projects due to the high Global Warming Potential associated with leakage.

### Financing and refinancing

Proceeds from Green Financial Instruments can finance both existing and new Eligible Projects financed by Tensio or its subsidiaries. New financing is defined as allocated amounts to Eligible Projects financed within the reporting year, and refinancing is defined as allocated amounts to Green Projects financed prior to the reporting year. The distribution between new financing and refinancing will be reported on in Tensio’s annual Green Financing Report.

## Eligible Projects

ICMA GBP Category	Eligible Projects	GBP Objective & SDGs
<p><b>Energy Efficiency</b></p>	<ul style="list-style-type: none"> <li>Investments in the transmission network, as defined by the regulatory asset base (RAB)<sup>1</sup>. The RAB includes previous and ongoing investments related to the construction and operation of grid assets. Estimated amounts for assets using SF6 gas and radial lines where end-user applies electricity in fossil fuel activities will be deducted from the RAB amount.</li> <li>Investments in new energy solutions and digital technology that can enable better utilization of the power grid, contributing to energy savings and reduced climate impact. These investments may include storage solutions of electricity from solar and wind, drones for monitoring the grid, and smart meters/grids</li> </ul>	<p><b>GBP Environmental Objective:</b></p> <p>Climate Change Mitigation</p> <p><b>SDGs: 7.3, 8.4, 9.4</b></p> 



<sup>1</sup> 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.

## 2. Selection and Evaluation of Eligible Projects

Tensio 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 as needed. The Green Finance Committee is comprised of representatives from Treasury, Group Sustainability and Business Control. The sustainability function will have 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.

**Identifying** and mitigating environmental and social risks in relation to the Eligible Projects.

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

### Environmental and social risks

Tensio actively works to identify and manage environmental and social risks, both through external requirements and our internal policies.

All major network investments carried out by Tensio are subject to statutory requirements to prepare environmental, transport, and construction plans. Tensio also assesses potential negative impacts on threatened ecosystems and biodiversity in the decision-making process for new development projects. Physical climate risks relevant for the development, construction, and operation of the electricity grid are also part of Tensio's risk management framework.

In relation to social risks, Tensio has created ethical guidelines which set requirements for Tensio's suppliers, subcontractors, and manufacturers, in relation to human rights, decent working conditions, and zero corruption in the supply chain. Tensio also reports in accordance with the social requirements of the EU Taxonomy and Norway's Transparency Act.



### 3. Management of Proceeds

Tensio will use a Green Financing Register to monitor the allocation of net proceeds from Green Financial Instruments to Eligible Projects. As long as Green Financial Instruments are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects, at least on an annual basis.

The value of the Eligible Projects detailed in the Green Financing Register will at least equal the aggregate net proceeds of all outstanding Green Financial Instruments. There may be periods when the total outstanding net proceeds of Green Financial Instruments exceed the value of the Eligible Projects in the Green Financing Register. Proceeds yet to be allocated towards Eligible Projects will be held in accordance with Tensio's liquidity management policy, subject to the exclusions listed in the Use of Proceeds section above. The Green Financing Register will form the basis for the impact reporting.



## 4. Reporting

To enable investors and stakeholders to follow the developments of our Green Financing, Tensio will annually, until full allocation and in the event of any material developments, provide investors with a Green Financing Investor Report. Due to a large number of underlying projects, reporting may be presented on an aggregated basis. Tensio intends to report on quantitative impact indicators where feasible and relevant data information is available. The Green Financing Investor Report will include the two following reports:

### Allocation Reporting

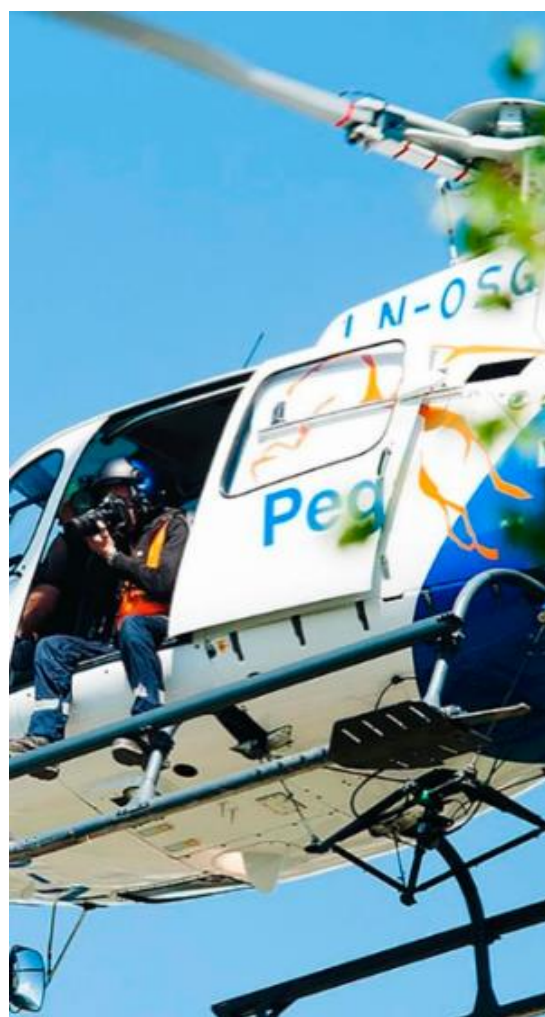
- A description of the portfolio of Eligible Projects
- Type of financing instruments utilized and respective outstanding amounts
- The amount of net proceeds awaiting allocation to green projects (if any)
- The proportion of net proceeds used for new financing versus refinancing
- Additional information that may be of relevance, such as reporting in relation to the EU Taxonomy Regulation

### Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Projects financed under this Framework.

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 impact indicators presented in the following table.

GBP Categories	Examples of impact indicators
Energy Efficiency	Capacity expansions in connecting new renewable energy to the grid (GWh)
	Energy supplied to customers (TWh/yr)
	Number of customers served (thousands)
	Reduced SF6 leakage (kg)
	Reduced grid losses (GWh)
	Estimated reduced/avoided GHG emissions (tCO <sub>2</sub> e per year)



## External Review

### Second party opinion (pre-issuance)

S&P Global has provided a second party opinion to this framework, verifying its credibility, impact and alignment with the ICMA Green Bond Principles (as of 2021 with June 2022 Appendix 1) and the LMA/LSTA/APLMA's Green Loan Principles (as of 2023).

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

Tensio will appoint an external independent verifier to annually, until full allocation and in the event of any material developments, provide an assurance that the selection process for the financing of Eligible Projects and that the allocation of the net proceeds have been carried out in accordance with Tensio's Green Financing Framework.

### Publicly Available Documents

The Green Financing Framework and the second party opinion will be publicly available on Tensio's website, together with the third-party review and the Green Financing Investor Report once published.

