



GREEN FINANCING FRAMEWORK

March 2024

Vegfinans 

Important notice

This document (the “Green Financing Framework” or “Framework”) contains information on Vegfinans AS and its subsidiaries (“Vegfinans”) and their potential use of financing with added environmental criteria.

The Framework complies with the 2021 Green Bond Principles from the International Capital Markets Association (ICMA), as well as the 2023 Green Loan Principles established by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”), LMA and the Loan Syndication and Trading Association (“LSTA”) Green Loan Principles.

The green components have a commitment to sustainability and environmental impact mitigation. Investors and third parties are strongly advised to conduct independent evaluation of the Framework and to review applicable risk factors, terms specific to the relevant financing, and the Framework’s adherence to existing and future regulations, standards, and/or market practices. This Framework represents a holistic approach to environmental financing, integrating Green Financing initiatives. Its purpose is to guide investors and third parties in understanding the criteria, terms and principles governing these sustainable financing mechanisms, fostering transparency and adherence to ambitious environmental standards.

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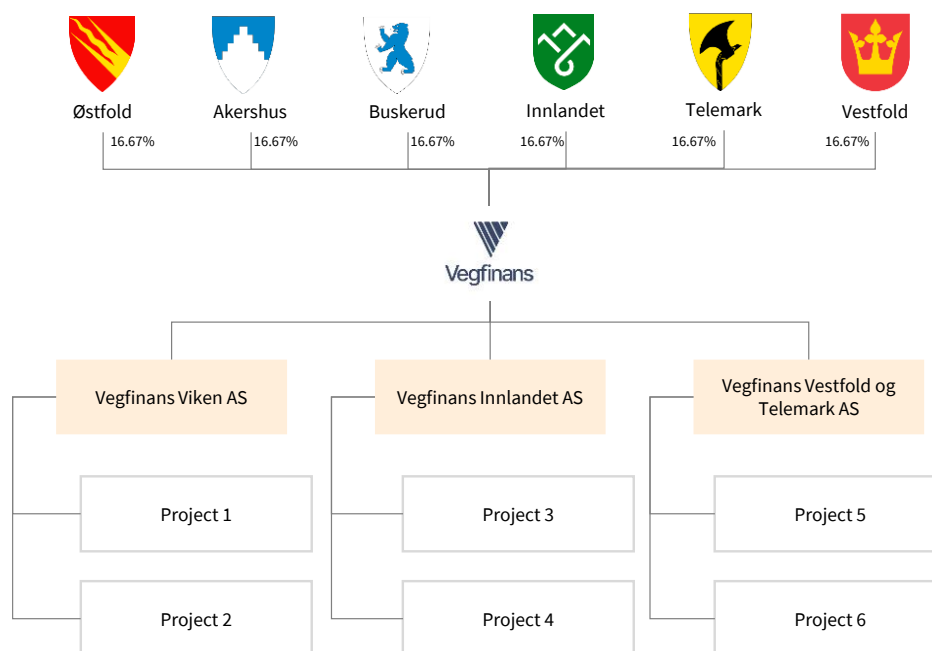
Introduction to Vegfinans

Vegfinans AS (“Vegfinans”) is one of five Norwegian regional road toll collection companies with operations in South-Eastern Norway. The company is owned equally by the six counties Akershus, Buskerud, Innlandet, Telemark, Vestfold and Østfold.

Vegfinans is the parent company in the group, which counts more than 20 subsidiaries. All operational activities and employees are organized in the parent company, which provides administrative services such as collection of toll, customer service, accounting and reporting, financing and liquidity management on behalf of the subsidiaries. The services provided span the entire life cycle of the individual road toll collection subsidiaries, from the initial planning phase until the toll collections are terminated once the financed infrastructure Investment has been paid down. This organization ensures that administrative tasks are conducted in an efficient manner and secures visibility of the individual toll projects without any risk of cross-subsidization between different projects.

All Norwegian road toll projects are anchored in parliamentary bills (Norwegian: Stortingsproposisjon) and governed by agreements with the Norwegian Public Roads Administration (Norwegian: Statens Vegvesen). The purpose of the regional toll companies is to secure the owner counties the best possible value for their investments in infrastructure and mobility, by securing funding for the investments and develop information that advances mobility. The toll companies have no direct influence on which projects are completed nor the solutions chosen; this is entirely based on political priorities.

Vegfinans secures financing for the infrastructure projects through the issuance of bonds, commercial papers and loans from commercial banks and public sector financing agencies, which are secured by on-demand guarantees from the respective counties. Interest and amortizations on the loans are then paid with proceeds from the tolls collected once the project is finished and the toll collection has commenced. The financing is conducted through either of the three subsidiaries Vegfinans Viken AS, Vegfinans Innlandet AS and Vegfinans Vestfold og Telemark AS, depending on the geographic location of the project. The financing proceeds are then lent to single-purpose subsidiaries financing the respective projects.



Organizational structure from January 1, 2024

Vegfinans’ role in creating a sustainable future

Vegfinans works to enable better mobility solutions for citizens and enterprises. Future mobility solutions need to be sustainable, meaning that they sufficiently cover today’s needs while preserving the environment for future generations. To achieve this, the infrastructure needs to facilitate for emission-free transport and mobility solutions.

The norms and standards for building of roads in Norway are constantly evolving, and are increasingly taking into account environmental concerns such as reducing greenhouse gas emissions and nature interventions, as well as compensating for negative externalities arising from the projects including noise pollution and protection of wildlife. The most recent version of the standards also has increased the focus on re-use of existing roads and reduce the need for newbuilding, thus minimizing the footprint necessary for securing safe and efficient transportation. By providing financing to clean transportation infrastructure, Vegfinans has a crucial part in contributing to Norway’s environmental targets of reducing greenhouse gas (GHG) emissions.

In 2012, the Norwegian Parliament adopted a goal for zero growth in transport by personal cars, implying that all growth in personal transport is to be met by increased use of public transportation, cycling and micro mobility solutions, and walking. City Environment Plans (Norwegian: Bymiljøavtale) and the similar City Growth Agreements (Norwegian: Byvekstavtale) are considered to be among the most important measures to achieve this goal, and followingly to enable Norway to meet its emission reduction targets.

Vegfinans strives to manage funds from the toll collections efficiently as well as in a dependable manner, and with low risk. Funds are obtained in the bank- and bond market with a long-term perspective on maturities. Excess liquidity is mainly used to repay outstanding loans, but can be placed as bank deposits and invested in money market funds with short investment duration. All counterparties should have a minimum of investment grade rating.

Project portfolio

Currently, Vegfinans operates 85 toll stations situated in the six owner counties and organized in 24 different project subsidiaries.



Geographic location of Vegfinans' toll collection projects

Vegfinans finances both individual local projects, e.g. new or improved stretches of roads with the purpose of improving mobility and reduce the risk of traffic accidents, and groups of projects in and around the larger cities organized as City Environment Plans. The City Environment Plans comprise several different projects and are based on a holistic approach to meet the future needs for sustainable transport solutions in the respective region.

Vegfinans' current project portfolio includes two City Environment Plans: Bypakke Nedre Glomma and Bypakke Grenland, whereas the largest ongoing project to be financed and completed over the next years is the E18 Lysaker- Ramstadsletta project. The projects are further described below.

Bypakke Nedre Glomma

The program aims at creating better cities and a more environmentally friendly transportation system in the area near the outlet of the Glomma river, including the two cities Fredrikstad and Sarpsborg. Other cooperating parties are the Viken county (Østfold county from January 1, 2024), the Norwegian Public Roads Administration and the Norwegian Railway Authority. The main targets for the program are to increase the share of travel by public transport, increase the share of cyclists, reduce emissions from road traffic, to develop attractive junction points for different transport modes, and to improve accessibility for public



Opening of upgraded passenger dock for Fredrikstad's electric ferries.

and commercial transport. Examples of projects in the program include bicycle lanes and roads, walkways, new bus stops, ferry docks and charging infrastructure for electric ferries. Phase 1 of the project had a total cost of NOK 1.2bn, of which NOK 555 million were financed by tolls. Phase 2, which commences in 2024, has a total budget of NOK 10.8bn.

bypakkenedreglomma.no

Bypakke Grenland

The program includes the two cities Skien and Porsgrunn and has as overall goal to reduce greenhouse gas emissions, air pollution, noise and queues in the city areas through effective use of land and to ensure all new transportation needs are met with the use of public transport, cycling and walking. Examples of measures and projects include more frequent bus departures and new ticket fares, as well as building a coherent network of cycling and walking lanes.

Total investments (in 2015 nominal terms) are estimated at NOK 2.67bn, of which NOK 1.38bn are to be financed by toll collection.



Pedestrian and cycling bridge to be built between Klosterøya and Jernbanebrygga in Skien as part of Bypakke Grenland. The bridge can be opened to allow for passing of larger boats.

bypakka.no

E18 Lysaker – Ramstadsletta and the Lysaker public transport terminal

The E18 Lysaker-Ramstadsletta project is the first phase of the E18 Western Corridor program, and construction works were initiated in November 2020. The project comprises i.a. a 4.4 kilometer new stretch of the E18 highway with separate lanes for public transport in both directions, as well as 12.6 kilometers of new pedestrian and cycling roads. Included in the project is also an upgrade and extension of the Lysaker public transport terminal, facilitating for easier transfer for passengers between regional bus lines and the new Fornebu urban rail line, as well as the regional rail line in Lysaker. Besides serving this important role of being an important facilitator for the use of rail transport in and around the Oslo area, the terminal is also an important step in increasing the overall access to low-carbon and emission-free transport for people in the Lysaker and Fornebu areas.

Important goals for the project include to reduce noise and local air pollution for inhabitants, to enable more transportation to take place by walking, cycling and use of public transportation, as well as to facilitate for urban development of the Fornebu and Lysaker areas.

The project is planned to be completed in 2030 and has a total budget of NOK 22 billion. Out of this, Vegfinans estimates that investments related to public transportation lanes, walking, and cycling roads and the public transport terminal to be financed by tolls will amount to approximately NOK 550 million during 2026-2028.

Vegfinans' sustainability governance

The direct environmental impact of Vegfinans own operation is limited. However, Vegfinans actively works to reduce their environmental footprint. Vegfinans is eco-lighthouse certified since 2017 and has a systematic process working with relevant environmental issues including energy usage, waste sorting and handling, as well as business travels and commuting. As part of the eco-lighthouse certification, Vegfinans prepares simplified GHG-accounting annually. Furthermore, Vegfinans continuously seeks to improve its understanding of how it affects people, the environment and the society.

Organizationally, responsibility for the company's sustainability work and governance lies with the Head of Sustainability and Public contact.

The Norwegian Transparency Act

In accordance with the Norwegian Transparency Act (Norwegian: Åpenhetsloven), Vegfinans regularly conducts mappings, polls and investigations of its suppliers, in order to assess ethical guidelines in the supply chain and to identify potential concerns. The investigations follow a risk-based approach, with particular emphasis on new suppliers. The adherence to the Transparency Act has been resolved by the board of directors, and a report detailing the company's human rights due diligence activities is prepared annually and published on its website vegfinans.no.

Corporate Sustainability Reporting Directive (CSRD)

Based on the suggested implementation of the CSRD in Norwegian law, Vegfinans expects to be subject to the CSRD requirements for sustainability reporting from the accounting year starting January 1, 2025. During 2024, Vegfinans will start preparing for meeting these requirements in due course, i.a. by conducting a double materiality assessment.

Procurement

Vegfinans is subject to the Norwegian public procurement law. With effect from January 1, 2024, the law dictates that criteria related to climate and environment are to be weighted at least 30% in all public procurement processes.

Diversity in the workforce

The board and administration sees a great value in diversity among its employees, and is actively working to prevent any form of discrimination related to recruitment, salary and other benefits, opportunities for promotions and personal development, and to prevent all forms of harassment. To support these efforts, Vegfinans has established whistleblower routines that ensure anonymity and follow a structured process for following up any concerns raised regarding these matters.

ISO Certification

Vegfinans has started the process with certification of the company according to the ISO 9001 standard and expects the certification to be in place during the first half of 2024. ISO 9001 is a globally recognized standard for quality management.

Green Financing Framework

The purpose of this Green Financing Framework (the “Framework”) is to provide Vegfinans and its subsidiaries a structured and transparent framework for financing assets and activities promoting low-carbon transport solutions. This enables investors and financial institutions to engage in the financing of environmentally friendly public infrastructure in Norway. This is Vegfinans’ first Framework, and has been prepared in cooperation with Handelsbanken.

The Framework is developed in alignment with the Green Bond Principles (GBP)¹ and Green Loan Principles². Further, Eligible Green Projects have been mapped against the corresponding relevant activity in the EU Taxonomy³. The Framework is applicable for issuance of green bonds, green loans and other type of debt instruments that finance assets as defined in this Framework (collectively referred to as “Green Finance Instruments”). Green Finance Instruments under this Framework can be issued by the parent company Vegfinans or any of its subsidiaries.

The structure of this Framework is built upon the four core components of the Green Bond Principles and Green Loan Principles:

1. Use of proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Vegfinans acknowledges the recommendation of appointing an external reviewer to assess the alignment of the Framework with the above-mentioned core components. S&P Global Ratings has provided a second party opinion on this Framework which is publicly available on Vegfinans’ website (www.vegfinans.no).

Use of proceeds

An amount equivalent to the net proceeds from Green Finance Instruments issued will be used by Vegfinans or its wholly owned subsidiaries, to in whole or in part finance or refinance eligible assets and expenditures that help the transition to low-carbon, climate resilient and sustainable societies (“Eligible Green Projects”). The company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Projects. The value of the Eligible Green Projects correspond to the relevant invested amount and associated operating expenditures or the market value reported in the balance sheet. Both financing and refinancing of capital expenditures and assets, without age restriction, and operational expenditures incurred more recently than three years prior to any Green Financing which relate to R&D, education and training, renovation, maintenance and repair related to Green Projects that ensure the continued and effective functioning of such assets can qualify, at all times in compliance with, and as allowed under the Green Bond Principles. The combined allocated amount to a specific Green Asset, by one or several




¹ Green Bond Principles published in June 2021 with 2022 guidelines are voluntary process guidelines for issuing green bonds established by International Capital Markets Association (“ICMA”), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

² Green Loan Principles published in February 2023 are voluntary process guidelines for issuing green loans established by Loan Markets Association (“LMA”), <https://www.lsta.org/content/green-loan-principles/>

³ The Taxonomy Regulation (June, 2020) and associated legal frameworks contain six Environmental Objectives. Any eligible activity must substantially contribute towards one or more of these objectives, while at the same time not significantly harming any other Environmental Objective.

sources of financing with specified use of proceeds, may not exceed its value. The proportion allocated to new financing and refinancing will be disclosed in the annual reporting. Refinancing is defined as Green Projects financed before the issuance of any new green financing.

Eligible Green Projects

Eligible Green Projects	GBP Category	EU Taxonomy - Climate Change Mitigation	UN Sustainable Development Goals
<p>Public transport lanes Construction, maintenance and upgrade of lanes for public transport including buses and taxis. The lanes could also be used for other modes of transportation based on political priorities in the respective area</p> <p>Infrastructure for low-carbon transport Construction, maintenance and upgrade of infrastructure supporting low-carbon and zero emission public transport such as bus stops and public transport terminals</p>	Clean transportation	6.15. Infrastructure enabling low-carbon road transport and public transport	
<p>Infrastructure for passenger ferries Construction, maintenance and upgrade of passenger ferry docks and infrastructure for charging of electric passenger ferries</p>	Clean transportation	6.16. Infrastructure enabling low carbon water transport	
<p>Infrastructure for pedestrians and cyclists Construction, maintenance and upgrade of lanes, sideways and pathways (including bridges and tunnels) for pedestrians and cyclists</p>	Clean transportation	6.13. Infrastructure for personal mobility, cycle logistics	

Process for project evaluation and selection

Selection of Eligible Green Projects

Vegfinans has established a Green Finance Committee (“GFC”), consisting of the company’s CEO, CFO and Head of Sustainability and Public Contact. GFC will be responsible for reviewing assets and projects to be funded by Green Finance Instruments, and will ensure that only assets and projects (or parts of projects) that are aligned with the criteria for Eligible Green Projects are selected. All decisions to categorize assets and projects as Eligible Green Projects require unanimous agreement among the committee members. The GFC is responsible for:

- Reviewing information about the potential Green Projects
- Ensuring that the Green Projects are in line with the requirements in this Framework
- Ensuring that the Green Projects are compliant with applicable national laws and regulations, as well as Vegfinans’ internal policies and guidelines.
- Ensuring that the Green Projects are associated with no environmental or social risk.
- Exclude projects that no longer comply with the criteria of this Framework or that have been disposed.

In the selection process, GFC will i.a. rely on progress reports from the parties requiring financing, usually issued tertiary. Where necessary, GFC will use its best effort and professional judgment to estimate the share of total investments for a particular project which is related to Eligible Green Projects.

A list of Eligible Green Projects is maintained by the Finance Department, who is also responsible for keeping it up-to-date.

Further responsibilities of the GFC

The GFC will follow the development of the green financing market and manage any future updates of the Framework to reflect current and future market practices (e.g. related to the EU Taxonomy) and potential updates to the Green Bond Principles and Green Loan Principles. The list of Eligible Green Projects is monitored on a regular basis during the term of the Green Finance Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Projects. This is also a responsibility of the GFC.

Exclusion criteria

The proceeds of Green Finance Instruments will not be used to finance investments linked to fossil energy generation, nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Management of proceeds

The equivalent to the net proceeds of any Green Finance Instrument will be credited to a dedicated account (the “Green Account”) or otherwise tracked by Vegfinans into a portfolio of Eligible Green Projects (“Green Registry”). Deductions will be made from the Green Account by an amount corresponding to the financing, refinancing, investment or expenditure of Eligible Green Projects or repayment of any Green Finance Instrument. If an Eligible Green Project no longer qualifies or if the underlying project or asset is divested or lost, an amount equal to the funds allocated towards it will be re-credited to the Green Account. Funds may also be reallocated to other Eligible Green Projects during the term of any Green Finance Instrument, unless otherwise agreed in the loan documentation.

Green Finance Instruments will be managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to one (or more) pre-determined Eligible Green Projects. GFC will keep a record of

the Green Account and ensure that the combined funds directed towards a specific Eligible Green Project, by one or several sources of Green Finance Instruments or other financing with specific use of proceeds, does not exceed its value.

Any unallocated proceeds will be temporary placed in the company's ordinary bank account. Should there be any unallocated proceeds, Vegfinans strives to allocate them within one year.

Reporting

In order to be fully transparent towards investors and other market stakeholders, Vegfinans commits to regular reporting in the form of a Green Finance Report until no Green Finance Instruments are outstanding. If the Green Finance Instrument is not fully allocated to Eligible Green Projects, information on the use proceeds will be renewed annually until full allocation. If there are no changes in the underlying Eligible Green Projects, the company commits to reporting once per Green Finance Instrument issued no later than one year after issuance. Further, use of proceeds will be renewed on a timely basis in case of material developments. For any bilateral bank financing such as green loans and green revolving credit facilities, etc., the company may choose to only report to the relevant banks.

The Green Finance Report will detail the allocation of proceeds from Green Finance Instruments and adherence to the Eligible Green Projects criteria. The reporting will contain information on the Eligible Green Projects that have been financed with Green Finance Instruments, a summary of Vegfinans' sustainability efforts in the past year, including examples of the financed projects and assets' adherence to the relevant criteria. The reporting will also contain impact assessments. The Green Finance Report will be available on Vegfinans' website (www.vegfinans.no) and cover some of the following areas.

Allocation of proceeds reporting

- Total amount of Green Finance Instruments issued and type of instrument
- Total amount of unallocated proceeds (if any)
- Share of proceeds used for financing/re-financing
- A list of Eligible Green Projects including allocated and disbursed amounts

Impact reporting

Vegfinans intends to report on quantitative impact indicators to the extent relevant data is available and not of a sensitive nature. Calculations will be made on a best effort basis. As Vegfinans' experience within impact reporting evolves, the company envisages to supplement with additional indicators, taking into account i.a. ICMA's Handbook for Impact Reporting⁴.

- Number of kilometers of new train lines, pedestrian pathways, bicycle lanes and tunnels
- Number of charging points for electric vehicles and ferries installed

External review

Second opinion (pre-issuance)

To confirm the transparency and robustness of Vegfinans' Framework, and secure alignment with national and international guidelines, Vegfinans has engaged S&P Global Ratings to act as an external verifier of this Framework and the Eligible Green Projects.

⁴ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

External review (post issuance)

Regular reporting as described in the “Reporting”-section includes two parts, i) allocation of proceeds reporting, and ii) impact reporting. Vegfinans commits to engage an external independent auditor in order to review the allocation of proceeds reporting in the form of a Limited Assurance Report. This Limited Assurance Report will confirm that the selection process for the financing of Eligible Green Projects and that the allocation of the equivalent to the net proceeds of the Green Finance Instruments are done in accordance with Vegfinans’ Framework.

An independent external reviewer appointed by Vegfinans will annually provide a limited assurance report on the allocation of proceeds from Green Finance Instruments.

Publicly available documents

This Framework, the second opinion, the external review and the Green Finance Report will be publicly available on Vegfinans’ website (www.vegfinans.no).