



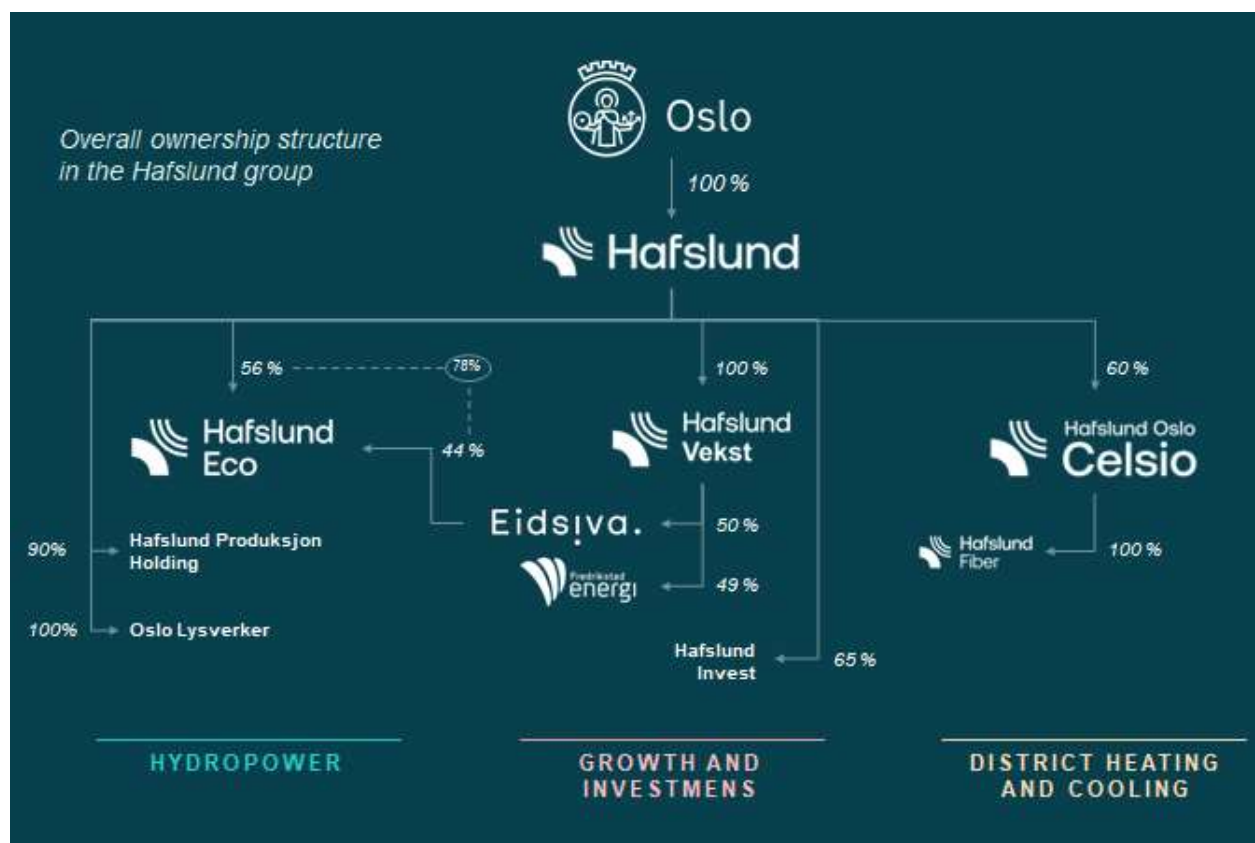
Green Finance Framework
January 2024

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Hafslund in brief

Hafslund is an energy and infrastructure group wholly owned by the City of Oslo with over 700 employees, consisting of three distinct business areas organized as separate subsidiaries, that all work towards a world in balance with renewables: Hafslund Eco, Hafslund Vekst and Hafslund Oslo Celsio.



Hafslund Eco

Hafslund controls 77 per cent of Hafslund Eco (directly and indirectly), which owns and operates some 80 power plants in whole or in part throughout southern part of Norway.

The production capacity of 5.200 MW and production of about 21 TWh per year make Hafslund Eco Norway's second largest power producer. Hafslund Eco's renewable energy production is sufficient to supply half of all Norwegian households with electricity.



Hafslund Oslo Celsio

Hafslund has a 60 per cent ownership interest in Hafslund Oslo Celsio, Norway's largest district heating producer based on waste heat and supplying hot tap water and heating to more than 200,000 customers in the greater Oslo region.

For district heating Hafslund Oslo Celsio primarily uses waste heat, electric boilers and renewable fuels such as wood pellets, bio-oil and biodiesel to produce the heat. An important source of waste heat is the waste incineration plants at Klemetsrud and Haraldrud in Oslo.

We are developing carbon capture solutions at the facility at Klemetsrud, which will be the first in the world to construct full-scale carbon capture at an operational waste incineration plant. The planned capacity for the carbon capture facility will be significantly higher than the emissions at Klemetsrud and thus making a significant contribution towards reducing greenhouse gas emissions.

Hafslund Oslo Celsio also offers optical fiber network through its subsidiary Hafslund Fiber.



Hafslund Vekst

Hafslund Vekst take an active role to test and develop new business concepts and assists customers with advisory services. We find new business opportunities related to electrification, sustainability, and new production and storage of power. Hafslund Vekst works with both established initiatives and new initiatives within the renewable energy sector.

In addition, Hafslund Vekst manages some of Hafslund's most significant ownerships, including the 50 per cent ownership in Eidsiva Energi AS which again owns 100 per cent of Elvia – Norway's largest grid operator, and we have a dedicated team for M&A and Venture investments.



Strategy and sustainability

Hafslund's focus areas and goals for sustainability are fully integrated with the Group's overall strategy.

In 2022, Hafslund established a long-term strategy that is setting the direction towards 2035, based on five strategic focus areas. The Group has identified important areas of sustainability using a double materiality analysis based on the principles of the EU Corporate Sustainability Reporting Directive (CSRD), providing in-depth understanding of the Group's impact on people and the environment, and the sustainability risks and opportunities that exist for Hafslund.

Hafslund supports the United Nations' Sustainability Development Goals (SDGs), and the Group's activities have a direct impact on several of these goals. Hafslund has focused its attention on the SDGs where the Group have the greatest impact and has therefore emphasized the following five sustainability goals: #7 Affordable and clean energy, #8 Decent work and economic growth, #11 Sustainable cities and communities, #13 Climate action and #15 Life on land.



Our strategy towards 2035

Hafslund's strategy towards 2035 is based on our several focus areas (see our web site for details¹):

Climate and nature positive



- Climate positive by 2030 (by utilizing CCS at Hafslund Oslo Celsio)
- 90% reduction in scope 1 and 2 by 2030
- 50% reduction in scope 3 by 2030 and seek to further reduce towards 2035
- Working towards net positive impact on biodiversity
- New projects after 2030 shall have no loss of biodiversity

Strong growth in renewable energy



- Expand existing and build new hydropower facilities
- Become a leader in the development and expansion of renewables projects within solar, onshore and offshore wind power
- Explore new opportunities in Norway and the Nordic Region
- Actively participate in discussions about framework conditions and energy development

Balance for the energy system of the future



- Increase our ability to regulate hydropower production and water storage
- Develop distributed energy solutions
- Develop solutions to aggregate and manage energy production, consumption and storage
- Act faster in existing and new balancing markets using intelligent models

Smart and green urban development



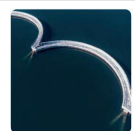
- Develop solutions within electrification and energy efficiency that create value for industry and society
- Further develop the thermal energy system in Oslo and the surrounding area
- Focus on business concepts at the intersection between a smart city and the energy system
- Be a driving force for green industries and jobs in Norway

Good minds are the key



- Maintain and strengthen an open, safe and secure working environment
- Strengthen diversity
- Focus on long-term and targeted development of managers and employees

Other sustainability priorities



- Third-party safety
- Contribution to society and local value creation
- Secure IT services and systems
- Responsible procurement practices
- Transparency and forward-looking reporting
- Ethics and anti-corruption

¹ [Strategy 2035 - Hafslund Annual Report](#)

Social safeguarding

Health, safety and the environment (HSE) for our employees and subcontractors need to be ensured in all of our activities. The Group's "*Guiding principles for HSE*" form the basis for the HSE work. Among other things, the principles affirm that HSE is fundamental to the planning, implementation and evaluation of all activities, and that everyone should work to continuously improve safety and report nonconformities. The same HSE requirements in our own activities also apply to contractors.

For Hafslund Eco, the greatest physical risks are considered to include work operations on the mountain under shifting weather conditions, with live electric systems, work at height, heavy lifting, heavy equipment and during transport. For Hafslund Oslo Celsio, the greatest physical risk is associated with employees being exposed to very hot water under high pressure.

Work on preventive HSE measures has intensified in recent years, and documentation is followed up to ensure that progress is being made. This work will continue going forward, as well as making active efforts to ensure that managers at all levels of the organization lead the way in terms of safety work, both at strategic and operational levels.



Greenhouse gas emissions reporting

Hafslund calculates and reports greenhouse gas emissions in accordance with the internationally recognized framework "*Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard*".

In connection with preparing the Annual Report 2022, Hafslund assessed its Scope 3 emissions in accordance with the principles of the GHG. The emissions are calculated based on various activity data, including accounting data from financial systems, quantity data from the largest renewable energy projects and energy data used in the district heating facility. However, as there was not available data for all emissions categories, and areas of improvement were identified, Hafslund will work to improve data quality and completeness of the reporting going forward.

Since a large proportion of the Group's greenhouse gas emissions are emissions in the value chain, it is important to include environmental requirements in connection with the procurements we make. In the autumn of 2022, Hafslund Oslo Celsio introduced guidelines for environmental requirements, including climate requirements, in connection with their procurements. Hafslund Eco aim to introduce similar guidelines during 2023.

Green finance at Hafslund

Sustainable business operation is a core area of Hafslund's strategy, and this Green Finance Framework (the "**Framework**") enable us to finance our commitment to the energy transition with Green Bonds and Green Loans (hereinafter collectively referred to as "**Green Finance Instruments**").

This Framework, which is an updated version of the Green Finance Framework issued in March 2021, is aligned with the ICMA Green Bond Principles ("**ICMA GBPs**") and the LMA Green Loan Principles ("**LMA GLPs**") and defines the assets and projects that can be financed by Green Finance Instruments. The Framework also outlines the process to evaluate, select, track and report on such investments.

Each Green Finance Instrument issued under this Framework should in their relevant transaction documentation refer to this Green Finance Framework. Hafslund may over time decide to replace this Framework with a new and updated Framework, but new versions of the Framework shall have no implications for any outstanding Green Finance Instruments issued under this version of the Framework².

1. Use of Proceeds

An amount equal to the net proceeds from Green Finance Instruments issued under this Framework will be used to finance a portfolio of assets and projects, in whole or in part, that are environmentally friendly or contribute to the transition towards low-carbon and climate-resilient societal development.

Only such assets and projects that comply with the categories and criteria listed below ("**Green Projects**") are deemed eligible to be financed by Green Finance Instruments. Net proceeds from Green Finance Instruments can be used for the financing of capital expenditures related to new assets and projects which are not yet in operation at the date of the issuance of a Green Finance Instrument, and/or for refinancing of existing Green Projects, as well as existing debt instruments financing Green Projects.

Green Finance Instruments can also finance and/or refinance acquisitions of Green Projects as well as investments in share capital of companies³, including refinancing of debt instruments related to acquisitions and/or share capital of companies, where at least 90% of such companies' revenues can be attributed to a Green Project⁴. We will adjust for the share of share capital acquired, however include 100% of any financing which we as a majority owner may have provided to such acquired Green Projects or companies.

Green Finance Instruments issued under this Framework may also finance and/or refinance operating expenditures related to a Green Project, subject to a look-back period of maximum three years.

For the avoidance of doubt, Green Finance Instruments will not be used to finance investments linked to fossil or nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco.

To follow best market practice and adhere to relevant standards and guidelines in the green finance market, each Green Project has been mapped against the different categories of the ICMA GBPs/LMA GLPs, ICMA's mapping of Green Projects to the GBP Environmental Objectives⁵ as well as the relevant criteria under the environmental objective "Climate change mitigation" in the EU Taxonomy⁶.

² The Green Finance Report as per section 4 below will include all Green Finance Instruments issued under any version of the Green Finance Framework.

³ In partnerships where Hafslund is not the majority shareholder, Hafslund will seek to maintain control related to change of business, typically by requiring unanimity for amendments to the partnership's articles of association.

⁴ If ceasing to meet this threshold it will be replaced by another qualifying Green Project according to "3. Management of proceeds".

⁵ [Green-Project-Mapping-June-2021-100621.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/green-bonds/green-project-mapping-june-2021-100621.pdf)

⁶ EU Taxonomy is a classification system for environmentally sustainable economic activities, where such activity should meet the following criteria: 1) substantial contribution to at least one of the six environmental objectives, 2) do no significant harm to any other environmental objective and 3) meet minimum social safeguards.

Green Projects

ICMA GBPs Category	Green Project criteria	ICMA environmental objective	EU Taxonomy activity
Renewable energy	Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of facilities, as well as related infrastructure, connected to the generation of electricity from: <ul style="list-style-type: none"> - wind power⁷ - solar power - hydropower projects⁸, including fortification of hydropower facilities and dams to ensure the ability to withstand higher levels of precipitation and improve the ability to prevent river flooding 	Climate change mitigation Climate change adaptation	Electricity generation from solar power Electricity generation from wind power Electricity generation from hydropower
Energy efficiency	Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of facilities, as well as related infrastructure for distribution, connected to: <ul style="list-style-type: none"> - waste heat recovery (for avoidance of doubt, excluding expenditures directly related to waste incineration facilities which are mainly fueled by residues from households and/or commercial activities) - district heating and cooling infrastructure - centers for data processing, storage and related activities which are located in Norway and have design PUE⁹ of maximum 1.2 - facilities that (a) store electricity and return it later in the form of electricity, including batteries and pumped hydropower storage, and (b) store thermal energy and return it at a later time in the form of thermal energy or other energy vectors¹⁰ 	Climate change mitigation	Production of heat/cool using waste heat District heating/cooling distribution Data processing, hosting, and related activities Storage of electricity Storage of thermal energy

⁷ Wind power projects dedicated to fossil energy extraction, treatment and transportation will be excluded.

⁸ Hydropower is subject to a power density above 5W/m² or life-cycle emissions below 100 g CO₂e/kWh, or run-of-river plants without artificial reservoirs.

⁹ "Power Usage Effectiveness". A PUE of 1.0 indicates a perfectly efficient data center in which 100% of the facility's power is delivered to IT equipment. The average data center's PUE as of 2020 was 1.58 according to Uptime Institute, new data centers that are constructed with state-of-the-art technology and deploy modern equipment should target a PUE ratio of around 1.2 but no higher than 1.4.

¹⁰ Including Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).

Pollution prevention and control	<p>Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of facilities, as well as related infrastructure, connected to:</p> <ul style="list-style-type: none"> - carbon capture, where the captured carbon is safely transported and stored at certified locations 	Climate change mitigation	N/A
Terrestrial and aquatic biodiversity conservation	<p>Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of facilities, as well as related infrastructure, connected to:</p> <ul style="list-style-type: none"> - protection, preservation and restoration of marine and watershed environments natural landscapes related to the rivers supplying water to our hydropower facilities 	Biodiversity	N/A

2. Process for project evaluation and selection

To ensure the transparency and accountability around the selection of Green Projects, Hafslund has established an internal Green Finance Committee responsible for the evaluation and selection process. The Green Finance Committee consists of members from the Management, Operations, Finance and Sustainability teams in Hafslund. Other internal representatives with specific expertise may be invited from time to time when deemed necessary. All decisions will be made in consensus.

Hafslund has a formal process to approve all large investments. For acquisition of new assets and/or development of new projects each investment proposal decision makers in Hafslund for review and consider various aspects of the relevant investment of which sustainability and environmental matters is one of these. Furthermore, Hafslund is screening the social risks related to relevant investments against its code of conduct policies for suppliers, such as adhering to ILO Convention recommendations (such as non-tolerance for discrimination, harsh or inhumane treatment and safe and hygienic working conditions) as well as our policies for a responsible workplace for our employees which clearly states that Hafslund shall be a safe workplace, where operations do not cause accidents, injuries or losses.

Hafslund will only include such assets and projects that comply with the Green Project criteria defined in the Use of Proceeds section of this Framework, and which are deemed by the Green Finance Committee to be acceptable from an overall ESG risk perspective, in the pool of assets and projects which are eligible to be financed with Green Finance Instruments. The Green Finance Committee holds the right to exclude any Green Project already funded by Green Finance Instruments, which is further described below under Management of Proceeds.

The Green Finance Committee will keep a register of all Green Projects, and to ensure traceability, all decisions made by the committee will be documented and filed.

The Green Finance Committee is responsible for the oversight of this Framework and defining the Green Project criteria included herein and is also responsible to assess if an update of this Framework is deemed to be required.

3. Management of Proceeds

An amount equal to the net proceeds from issued Green Finance Instruments will be earmarked for financing and refinancing of Green Projects as defined in this Green Finance Framework.

The Treasury department of Hafslund will endeavour to ensure that the value of Green Projects at all times exceeds the total amount of Green Finance Instruments outstanding. If a Green Project already funded by Green Finance Instruments is sold, or for other reasons loses its eligibility by not meeting the criteria in this Framework, it will be replaced by another qualifying Green Project as soon as practically possible.

Net proceeds from Green Finance Instruments awaiting allocation to Green Projects will be held as cash and cash equivalents¹¹.

¹¹ To the extent possible, the exclusions listed in the Use of Proceeds section of this Framework also apply.

4. Reporting

To enable investors and other stakeholders to follow the development of the Green Projects funded by Green Finance Instruments, a Green Finance Report will be made available on our website. The Green Finance Report will include an Allocation Report and an Impact Report and will be published annually¹² as long as there are Green Finance Instruments outstanding or until full allocation.

Allocation Report

The allocation report will include the following information.

- Amounts invested in each of the Green Project categories defined in this Green Finance Framework and the share of new financing versus refinancing.
- The share of capex vs. opex.
- Examples of Green Projects that have been funded by Green Finance Instruments.
- The nominal amount of Green Finance Instruments outstanding, divided into Green Bonds and Green Loans.
- The amount of net proceeds awaiting allocation to Green Projects (if any).

Impact Report

The impact report aims to disclose the environmental impact of the Green Projects financed under this Framework. Impact reporting will be aligned with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting” (June 2023) where impact will be aggregated for each project category, and depending on data availability, calculations will be made on a best effort basis with transparency on the assumptions being applied. For projects under construction, calculations may be based on preliminary estimates. The impact assessment will, where applicable, be based on the metrics listed below:

- **Renewable energy**
 - Energy generation capacity from solar, wind and hydropower (MW).
 - Actual annual energy generation from solar, wind and hydropower (GWh).
 - Estimated annual reduction and/or avoidance of GHG emissions (tonnes of CO₂e)¹³.
 - Actual annual additional number of fortified dam and flood prevention projects commenced.
- **Energy efficiency**
 - Actual annual distribution energy via district heating/cooling infrastructure (GWh).
 - Actual annual reduction and/or avoidance of GHG emissions related to district heating/cooling compared to baseline (tonnes of CO₂e).
 - Installed data center storage capacity (Mbyte) and actual annual electricity consumption related to data storage and the PUE (kWh/Mbyte and PUE ratio).
 - Estimated annual avoided GHG emissions (actual scope 1 and 2 emissions compared to estimated average CO₂ emissions for data centers).
 - Actual annual installation of capacity for storage of electricity and other forms of energy (MW).
- **Pollution prevention and control**
 - Installed CCS capacity (tonnes of CO₂e).
 - Annual net volume of CO₂e emissions captured (tonnes of CO₂e).
- **Terrestrial and aquatic biodiversity conservation**
 - Annual additional area preserved or restored (m²).

¹² If not earlier, the Green Finance Report will be published in connection with publishing our Annual Report.

¹³ Baseline grid factor will be based on recommendation set out in Nordic Position Paper for Green Bonds Impact Reporting ([NPSI_Position_paper_2020_final.pdf \(kuntarahoitus.fi\)](#))

External Review

Second-Party Opinion

Hafslund has obtained a Second-Party Opinion (the “**SPO**”) from S&P Global Ratings to confirm the transparency of this Green Finance Framework and its alignment with the ICMA Green Bond Principles and the LMA/LSTA/APLMA Green Loan Principles.

The SPO will be made available on our website together with this Green Finance Framework.

Post-issuance verification

An independent auditor appointed by Hafslund will provide a limited assurance report confirming that an amount equal to the net proceeds from issued Green Finance Instruments has been allocated to Green Projects as defined in this Green Finance Framework.

This report will be made available on our website.

