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Å Energi AS
Green Financing Second Opinion

8 June 2023

Executive Summary

Å Energi supplies electricity, heat and other energy-related products and services to household and business customers mainly in Norway and other Nordic countries. Å Energi is one of Norway's biggest energy utilities with hydropower as its foundation and with operations throughout the value chain, from power generation to end users of electricity. Å Energi is the result of the merger of Agder Energi and Glitre Energi in November 2022. Å Energi manages and trades more than 30 TWh of power in the Nordics, is Norway's largest company in electricity sales to businesses, including power intensive industries. Å Energi also delivers district heating which sometimes requires use of fossil fuels to cover demand peaks. The energy sources used in the district heating are mainly waste heat from waste incineration and industry as well as sawdust (bi-product from local sawmills). The company is jointly owned by the municipalities in Agder and Buskerud, as well as by Statkraft.

SHADES OF GREEN

°CICERO Dark Green

GOVERNANCE ASSESSMENT

GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found to be aligned with the principles.

The green financing framework covers the Renewable energy and Energy efficiency categories. Renewable energy covers hydropower, offshore wind and solar projects, while energy efficiency covers mostly investments in grids. Fossil fuel related assets, including equipment used for construction, are excluded from financing under the framework. Glitre Energi has previously issued green bonds under frameworks from 2017 and 2020, shaded Dark Green and covering the same two categories as the new framework from Å Energi. Previous green bonds financing was mainly for investments in hydro power with a smaller share going to power grid updates. Going forward, Å Energi expects initially that most of the investment will be for grid upgrades with a 50/50 share of new financing and re-financing. Later, investments in solar and wind power are expected to increase.

We rate the framework **CICERO Dark Green** and give it a governance score of **Good.** The Dark Green shading reflects that renewable energy and electrification based on such resources are key elements in the transition to a low carbon society. In respect of governance, Å Energi has some short-term climate related targets, a thorough selection process, and shows consideration for physical climate risk through its reporting along the TCFD guidelines. Also, recycling and end-of-life considerations are active elements in Å Energi's tendering processes. Å Energi plans to carry out a materiality analysis for the new group in 2023 based on the updated GRI standards, and it aims to report in accordance with GRI in next year's sustainability report. An overarching sustainability strategy and longer-term quantitative targets for the company will also be developed.

Strengths

Upscaling renewable energy is key to the transition to a low carbon future. Å Energi's framework supports this by increasing the capacity of existing power production and electricity grids to distribute more electricity and by enabling the electrification of sectors that typically rely on fossil fuels. It is also encouraging that Å Energi incorporates environmental considerations in its work with its supply chain; both in seeking better scope 3 reporting as well as including environmental eligibility criteria in tendering processes. For instance, the cement used in concrete for dams must come from suppliers who by 2025 will have set their own targets under the Science Based Targets initiative. This affects Scope 3 indirect emissions from purchased materials.

Pitfalls

Å Energy has some greenhouse gas intensive industries among its customers. Delivering power more efficiently to these customers may contribute to supporting emissions intensive activities and hence indirectly lead to increased overall emissions. However, no new customers of this nature is expected during the coming few years.

Reporting could be further strengthened with independent verification of results and additional impact indicators. Reporting on impacts will not by reviewed externally, but the issuer will disclose methodologies and assumptions used in calculations. We also note that the estimation of CO_2 emissions avoided is based on the grid factor recommended in the Nordic Position Paper on Green Bonds Impact Reporting from 2020. This differs from the grid factor Å Energy is using to calculate own CO_2 emissions (which is higher).

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Company description

Å Energi supplies electricity, heat and other energy-related products and services to household and business customers mainly in Norway and the Nordics. Å Energi is one of Norway's biggest energy utilities, with operations throughout the value chain, from generation through to end users. Agder Energi and Glitre Energi merged in November 2022, and were officially combined into Å Energi. The company is jointly owned by the municipalities in Agder and Buskerud, as well as by Statkraft. Glitre Energi has issued green bonds (fully utilised) under frameworks from 2017 and 2020 to the amount of NOK 1,450 mill. and NOK 600 mill., respectively.

Hydropower is the foundation of the business and will have an annual production of around 11.3 TWh from 72 wholly and partially owned power plants. The group's grid company, Glitre Nett, is Norway's second largest grid company with a power grid over 30,000 kilometres long that distributes power to approximately 310,000 online customers in Buskerud and Agder in Norway. Å Energi manage and trade more than 30 TWh of power in the Nordics, is Norway's largest company in electricity sales to businesses, including power intensive industries, and has over 200,000 electricity customers in the private market. Å Energi also delivers district heating which sometimes requires use of fossil fuels to cover demand peaks and extraordinary situations. The energy sources used in the district heating are mainly waste heat from waste incineration and industry as well as sawdust (bi-product from local sawmills).

Å Energi is organized into five business areas that reflect the group's core business and value chain: hydropower, grid, renewable management, customer and digital solutions, and new industry, along with a parent company with group functions.

Governance assessment

Both Glitre Energi and Agder Energi had short term (2025) climate motivated targets. However, since the merger between Glitre Energi and Agder Energi is quite recent, it remains for Å Energi to formulate short- and long-term targets for the combined company. According to Å Energi, the ambition is that the combined company shall be more ambitious when it comes to sustainability strategy and goals than each of the original companies.

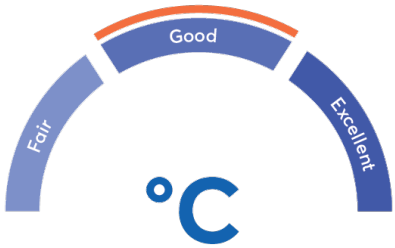
The selection process is good. We note that Å Energi does not routinely carry out LCA analyses before deciding on projects. However, they have carried out a full LCA resulting in an Environmental Product Declaration EPD for one of their power stations[1], which is also included in a report showing average emissions from Norwegian hydropower[2]. Å Energi states that they are increasingly demanding specific documentation from suppliers, especially on climate footprint. When it comes to suppliers of concrete, Å Energy require that they have science-based targets (SBTi) before 2025. Occasional auditing of suppliers is carried out.

According to Å Energi, the stakeholder dialogue related to the NVE concession application takes away risk of going into controversial projects in Norway.

[1] Hydroelectricity from Skjerka power station - EPD Norge (epd-norge.no)
[2] AR-01.19-The-inventory-and-life-cycle-data-for-Norwegian-hydroelectricity.pdf (norsus.no)

Å Energi reports on climate risks following the guidelines from TCFD. Impact reporting will not be verified by an independent reviewer.

The overall assessment of Å Energi's governance structure and processes gives it a rating of **Good**.



Sector risk exposure

Physical climate risks. Science shows that weather events are expected to increase in intensity and frequency, that incremental climatic changes are highly likely to happen, and that their impact is expected to grow more severe over the coming years and decades. For hydro power companies and their partners located in Northern Europe, extreme precipitation, particularly during the winter, and associated flooding from heavy rainfall or snowmelt, will likely increase. Sea level rise may be a concern in some coastal areas. According to Å Energi, physical risk to its operations includes increased risk of power outages due to extreme weather (heavy snow, falling trees, cold waves, storm surges, quicksand slides, forest fires and lightning strikes).

Transition risks. Due to the profound changes needed to limit global warming to 2°C, transition risk affects all sectors. Electrification plays a key role in decarbonization strategies, which will consequently result in increased transmission and distribution capacity. Å Energi is exposed to transition risk from stricter policies on reducing grid loss, leakage levels and demands on life cycle assessments for its extension projects. Insurance premiums may also rise as extreme weather events increase the likelihood of loss and damage to the grid. According to Å Energi, transitional risk includes possible increased tax on SF_6, tax on energy losses, increased reinvestments and challenges related to the speed of electrification, which can lead to increased prices and higher network rent for customers.

Environmental risks. Expansion of the grid, particularly in rural areas, will have an impact on local environment, biodiversity, local pollution, etc. As with climate change, nature and biodiversity loss can create physical risks due to the loss of critical ecosystem services which can contribute to operational disruptions (e.g., landslides), while also reducing resilience to physical climate risks.

Environmental strategies and policies

Since Agder Energi and Glitre Energi merged in November 2022, the results of the two groups are reported separately for 2022. This applies both to the GRI reporting for 2022 and to the performance against the targets set by the two groups for the various sustainability topics in 2022. Å Energi plans to carry out a materiality analysis for the new group in 2023 based on the updated GRI standards, and it aims to report in accordance with GRI in next year's sustainability report. An overarching sustainability strategy will also be developed.

Within the area of renewable energy Glitre Energi had as target to be a catalyst for the transition to a society based on renewable energy, both in terms of energy and power, and to achieve an availability factor of 97.5% at Glitre Energi's power stations. For 2022, they achieved an availability factor of 96.1%. Agder Energi has as target that their hydroelectric power stations shall be available to generate electricity 98% of the time, and at least 99% of

their district heating energy shall come from renewable sources. Performance in 2022 was an availability factor of 95.2%.

Both Glitre Energi and Agder Energi had as ambition to significantly improve the energy efficiency of their own operations, as well as helping customers to become more energy efficient. In 2022, Glitre Energi achieved a 26% reduction in own consumption of electricity and district heating in 2022 compared with 2021, while Agder Energi achieved a 9% reduction in own electricity consumption and 3% reduction in district heating and district cooling in 2022 compared with 2021.

Overall greenhouse gas emissions for Å Energi (Glitre Energi + Agder Energi) in 2022 was 6,525 tCO_2e, about the same level as in 2020. Scope 1 emissions (location based) associated with distribution losses represented the largest source.

Since 2018, Glitre Energi has prepared GHG accounts that include both its direct and indirect emissions, using the GHG Protocol methodology. The reporting covers direct (Scope 1) and indirect (Scope 2) emissions, as well as several important categories[3] of indirect emissions in the value chain (Scope 3). In order to achieve its goal of reducing direct and indirect GHG emissions, Glitre Energi has defined specific ambitions and targets that it worked towards in 2022:

- Ambition to increase the recycling percentage of waste at all of the group's locations, including to over 80% at the group's head office, Energibygget in Drammen (Scope 3).
- Target for 100% of pool cars and company cars to be fossil fuel-free by 2025 (Scope 1)[4].
- Target of increasing the number of fossil fuel free inspection and emergency response vehicles by 2025 (Scope 1).
- Ambition to gradually reduce the use of SF_6 gas in switchgears between now and 2025 (Scope 1).
- Ambition to more often consider replacing the use of helicopters with drones and robots (Scope 3).
- Ambition for business travel to be 100% sustainable by 2023, with any exceptions covered by carbon offsets (Scope 3)[5].

In 2021, Agder Energi's science-based targets were approved within the framework of the Science Based Target initiative (SBTi), and in 2022 it worked to minimise its own GHG emissions. The target was to reduce direct greenhouse gas emissions (Scope 1) and indirect emissions from energy consumption (Scope 2) by 50% by 2030, using 2019 as the base year. In 2022, Scope 1 emissions was 76% above 2020 emissions, while Scope 2 emissions were down 33% over the same period. The increase in Scope 1 emissions was mainly due to an increase of 661 tCO_2e, equivalent to 122%, at Agder Energi Varme, due to greater use of oil to cover peak loads after a failure in the delivery of surplus industrial heat to Agder Energi.

SF_6 is the most potent greenhouse gas known to date. Glitre states that no new switches that use SF_6 gas have been ordered for switchgear in recent years. Agder Energi states that emissions associated with SF_6 gas were reduced by 203 tCO_2e, or 41%, from 2019 to 2022, which is due to the gas being gradually phased out and the introduction of better procedures for handling it. Over the past year, Agder Energi Nett has worked to source SF_6-free technology for lower voltages. However, the SF_6 free technology will only become available on the market in 2023, and Agder Energi Nett is therefore ready to transition to a greener solution as soon as possible.

[3] Glitre Energi includes emissions from business travel by car, concrete consumption, helicopter use and waste under Scope 3.
[4] Å Energi don't have status for this target currently. The Purchasing department is working on getting a full picture of all the cars taken from Glitre and Agder Energi now taken over by Å Energi.
[5] We note that the definition of "sustainable" in this ambition is vague. However, the issuer states that they will follow suggestion from Net Zero standard from Science Based Target initiative and only offset the last 5% they are no able to reduce themselves.

The cement used in concrete for dams must come from suppliers who by 2025 will have set their own targets under the Science Based Targets initiative. This affects Scope 3, indirect emissions from purchased materials. Within Scope 3, where emissions increased by 18% from 2020 to 2022, the biggest source of GHG emissions was cement purchases.

Within the power generation business, the protection of biodiversity in river systems is strictly regulated. Power stations are audited regularly by the Norwegian Water Resources and Energy Directorate (NVE) to check their compliance with the terms of the licence[6]. Experts and local stakeholders are actively involved in the whole process according to Å Energi. With respect to operating the distribution system, Å Energi states that their overriding goal is to adapt to the natural environment when building new power lines and power system infrastructure. Biodiversity and the natural environment are therefore important considerations when designing new infrastructure, for example influencing the choice between underground cables and overhead lines. The planning and construction of new grid infrastructure always takes place in close cooperation with the public authorities, and their choices also reflect assessments of impacts on the environment, biodiversity and visual pollution.

Glitre Energi and Agder Energi both have policies directed at main suppliers. Thus, Glitre Energi recorded that 7 out of the 10 biggest suppliers have set their own climate targets. The target is to reach 10/10 by 2025. Similarly, Agder Energi recorded that 56% of purchases by value was from suppliers with environmental certification in 2022. The target is to reach 95% by 2025.

Å Energi adheres to the UN Global Compact's Ten Principles for responsible business practice and follow the TCFD recommendations and climate scenario analysis in reporting on climate risks. Climate risks assessment is well incorporated in the regular operations. Å Energi is also a member of Skift, an organization made up of companies with ambitious climate targets and clear climate strategies. Å Energi is Eco-Lighthouse Certified.

Green financing framework

Based on this review, this framework is found to be aligned with the 2021 Green Bond Principles and 2023 Green Loan Principles. For details on the issuer's framework, please refer to the green financing framework dated June 2023.

Use of proceeds

For a description of the framework's use of proceeds criteria, and an assessment of the categories' environmental impacts and risks, please refer to section 2.

Selection

Å Energi has established a Green Finance Committee (GFC) to evaluate and select assets that are in line with the criteria set out in table 1 below. The committee meets at least on an annual basis or when needed. The Green

[6] In 2022, Glitre Energi received two fines in conjunction with the construction of Godfarfoss power station. The first one was given due to one of the areas that is home to the lichen species Leptochidium crenatulum being covered by waste rock during construction activities near the intake, as well as around 500 metres of the access road to the power station being sited outside the zoning limits approved by NVE. The latter occurred because Glitre Energi, in consultation with a landscape architect and ecologist, decided to use an existing logging trail established by local landowners, around 10 metres west of the original route agreed for the road. It was judged that using the existing road would have a smaller environmental impact than building a new road, but the decision should have been cleared with NVE before going ahead. The other fine was given for waste soil being dumped right alongside the abovementioned lichen species, and stones being removed around an area that is home to Orthocaulis cavifolius. Glitre Energi takes incidents that affect the environment seriously, and it has subsequently tightened up its procedures, by improving marking through the consistent use of mesh barrier safety fencing and widening the buffer zones around protected biotopes. In addition to the two incidents described above, on one occasion Glitre Energi failed to comply with the minimum flow requirement for Djupdal power station, due to a minimum flow gate being blocked.

Finance Committee is comprised of representatives from treasury department and relevant business units, including participation from the relevant environmental specialists in the organization, and Å Energi's Head of Sustainabilty has veto power in the final decisions.

The Green Finance Committee is responsible for evaluating the compliance of proposed assets with the eligibility criteria outlined in table 1; ensuring that the pool of eligible projects is aligned with the categories and criteria; replacing investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.); and, on a best effort basis, reviewing and updating the content of the green finance framework and managing any future updates of the document to reflect relevant changes in the company's corporate strategy, technology and market developments.

When selecting projects, Å Energi identifies and manages perceived social and environmental risks related to the projects through the principles in the Code of Conduct approved by the group Board of Directors. According to Å Energi, the stakeholder dialogue related to the NVE concession application takes away risk of going into controversial projects in Norway. All projects are going through a formal internal decision process were sustainability, including potentially controversiality, is assessed.

Management of proceeds

Å 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 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 Å Energi's liquidity management policy. Thus, it cannot be invested in fossil fuel related assets but will be held in money market or bank accounts. The Green Financing Register will form the basis for the impact reporting.

Reporting

To enable investors to follow the development and improve transparency on projects financed, Å Energi will provide a green financing report on an annual basis containing information on the allocation and impact of the securities issued under the framework. The Finance Department will be responsible for the reporting. Å Energi intends to report on quantitative impact indicators where feasible and where relevant data is available. The green financing report will include allocation and impact reporting and be linked to individual bonds.

The allocation reporting will cover:

- A description of the portfolio of eligible assets;
- Type of financing instruments utilized and respective outstanding amounts;
- Information on the split between new financing and re-financing;
- A list of all eligible projects including the amounts allocated, and including allocated and disbursed amounts per category and geographical distribution.

The impact reporting aims to disclose the environmental impact of the eligible projects financed under the framework, based on Å Energi's financing share of each project. As Å 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) as follows:

Renewable energy:

- Amount of renewable energy generated (GWh)
- Expected and actual amount of capacity added, restored, connected and distributed
- CO_2 avoided (GWh x combined margin emission factor).

Energy efficiency

- Expected efficiency gains achieved for the same output/service in energy efficiency projects
- CO_2 avoided (GWh x combined margin emission factor)
- Share of SF_6 load disconnect switches
- Qualitative explanation of projects financed with proceeds of green financing.

The estimation of CO_2 emissions avoided is based on the grid factor recommended in the Nordic Position Paper on Green Bonds Impact Reporting from 2020[7]. The recommend grid factor is 315 gCO_2/kWh. The methodology used will be publicly available.

Å Energi has appointed an external third party to annually assure that the selection process for the financing of eligible projects and the allocation of the net proceeds of the green financing are done in accordance with Å Energi's Green Financing Framework. The Green Financing Framework, the second party opinion, the third-party review, and the green financing report will be publicly available on Å Energi's website: www.aenergi.no.

[7] https://www.kuntarahoitus.fi/app/uploads/sites/2/2020/02/NPSI_Position_paper_2020_final.pdf

2 Assessment of Å Energi's green financing framework

The eligible projects under Å Energi's green financing framework are shaded based on their environmental impacts and risks, based on the "Shades of Green" methodology.

Shading of eligible projects under Å Energi's green financing framework

- The net proceeds of the green bonds issued, or green loans obtained by Å Energi will be used to finance or re-finance eligible projects that have been evaluated and selected in accordance with the green financing framework. The expected share of new financing versus re-financing is 50/50. Due to the long-term nature of Å Energi's activities, refinancing of eligible projects will not be subject to a look-back period.
- Previous green bonds financing under Glitre Energi's 2017 and 2020 frameworks has mainly been for investments in hydro power with a smaller share going to power grid updates. Going forward, Å Energi expects more of the investment going to grid upgrades.
- In addition to green finance instruments issued by Å Energi in the capital market, the company may have green loans provided by lending institutions. Green loans taken by Å Energi may be provided by lending institutions that finance these by issuing green bonds. Å 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 financing report.
- Green bonds and loans net proceeds will not be allocated to projects for which the purpose of the project is nuclear or fossil energy generation.

Category	Eligible project types	Green Shading and considerations

Renewable energy	Acquisition, construction, development, expansion, maintenance and upgrading of facilities and technologies for renewable energy and related infrastructure. This could include, but is not limited to:
	• Hydropower which meets at least one of the following three criteria:
	  ○ Run-of-river plant without an artificial reservoir, or
	  ○ Life-cycle GHG emissions from the generation of electricity from hydropower < 100g CO_2e/kWh, or
	  ○ Power density of the electricity generation facility > 5W/m^2
	• Offshore wind power
		Dark Green
		✓ Renewable energy, including wind and hydro power, plays a vital role on the path to a low carbon energy sector.
		✓ Large hydropower facilities and associated construction/renovation projects have impacts on the surrounding environment and biodiversity. Infrastructure development may also entail use of fossil fuel machinery or the acquiring, maintenance, or operation of vessels. Lifecycle emissions from upgrading of existing hydropower plants can be significant, due to use of traditional construction materials, such as cement. We note that Å Energi set requirements to their cement suppliers.
		✓ The issuer states that fossil fuel-based equipment or expenses are excluded from financing under the framework. Also, they have no plans for activities in nature

	• Solar power: ○ Photovoltaic energy projects (PV), concentrated solar power (CSP), or solar thermal heating.	conservation areas and they see nature conservation as an increasingly important topic, especially gaining momentum after the signing of the Montreal agreement. ✓ Wind projects have an environmental impact and can be linked to resistance from locals (e.g., fishers). ✓ For wind power end-of-life handling should be important consideration. Å Energi states that this is a competition criterion for the offshore wind tenders that they are preparing for at the moment. ✓ Electrical equipment such as switchgears and breakers use SF_6, a harmful greenhouse gas. The issuer states that they will avoid SF_6 switches whenever possible.
Energy efficiency	• Grid investments as defined by the regulatory asset base (NO: Nettkapital) as reported by Å Energi. The regulatory asset base is approved by the Norwegian Energy Regulatory Authority (NVE-RME) on an annual basis. Projects under construction that will be added to the regulatory asset base when completed are also included. • Development and implementation of digital tools to increase grid efficiency, and/or investments in smart grids.	**Dark Green** ✓ Electrification projects have an important part to play in the decarbonization path for multiple sectors. Projects will both increase the capacity and reduce transmission losses. Such projects may be associated with different environmental impacts and risks depending on the activities targeted and their value chain. ✓ The issuer has clarified that it will exclude any direct connections to heavily emitting industry from green financing. ✓ As demand for electricity increases, it is also crucial to increase grid efficiency and to make grids smarter to meet the varying demands of end users as efficiently as possible. ✓ Grids are susceptible to exceptional weather conditions, such as storms, heavy snowfall and severe frosts. Å Energi seeks to actively manage these risks through its risk and vulnerability analyses.

Table 1. Eligible project categories

3 Terms and methodology

This note provides CICERO Shades of Green's second opinion of the client's framework dated June 2023**.** This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Shades of Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

'Shades of Green' methodology

CICERO Shades of Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

Shading	Examples
Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.	Solar power plants
Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	Energy efficient buildings
Light Green is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	Hybrid road vehicles

The "Shades of Green" methodology considers the strengths, weaknesses and pitfalls of the project categories and their criteria. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised, including potential macro-level impacts of investment projects.

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Shades of Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Assessment of alignment with Green Bond Principles

CICERO Shades of Green assesses alignment with the International Capital Markets' Association's (ICMA) Green Bond Principles. We review whether the framework is in line with the four core components of the GBP (use of proceeds, selection, management of proceeds and reporting). We assess whether project categories have clear environmental benefits with defined eligibility criteria. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed. The selection process is a key governance factor to consider in CICERO Shads of Green's assessment. CICERO Shades of Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Shades of Green places on the selection process. CICERO Shades of Green assesses whether net proceeds or an equivalent amount are tracked by the issuer in an appropriate manner and provides transparency on the intended types of temporary placement for unallocated proceeds. Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	Å Energi Green Framework	Å Energi's Green Financing Framework dated June 2023
2	Å Energi Annual Report 2022	Å Energi's Annual report 2022
3	Å Energi Sustainability Report 2022	Å Energi's Sustainability report 2022
4	Å Energi TCFD Climate Risk Report 2022	Å Energi's TCFD Climate risk report 2022
5	Å Energi Green Bonds Report 2022	Å Energi's green bonds report 2022
6	Å Energi Diversity and Equal Opportunity Report 2022	Å Energi's Diversity and equal opportunity report 2022
7	Etikk i Agder Energi – Norsk	Agder Energi's ethics guidelines
8	Konsernmål for Agder Energi	Agder Energi's group goals
9	Konsernpolicy for bærekraft og miljø (07-009 - 1873428 - 1 - 4) – 1	Glitre Energi's group policy on sustainability and environment
10	Konsernpolicy innkjøp (07-007 - 1378041 - 1 - 11) – 1	Glitre Energi's procurement policy
11	Strategi for Samfunnsansvar og Ytre miljø	Agder Energi's strategy for social responsibility and the external environment
12	Innkjøpsstrategi	Agder Energi's procurement policy

Appendix 2:
About CICERO Shades of Green

CICERO Shades of Green, now a part of S&P Global, provides independent, research-based second party opinions (SPOs) of green financing frameworks as well as climate risk and impact reporting reviews of companies. At the heart of all our SPOs is the multi-award-winning Shades of Green methodology, which assigns shadings to investments and activities to reflect the extent to which they contribute to the transition to a low carbon and climate resilient future.

CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Shades of Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions

- **2021 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2020 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2020 Largest External Review Provider In Number Of Deals,** Climate Bonds Initiative Awards
- **2019 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2019 Largest Green Bond SPO Provider,** Climate Bonds Initiative Awards
- **2018 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2018 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2017 Best External Assessment Provider,** Environmental Finance Green Bond Awards
- **2016 Most Second Opinions,** Climate Bonds Initiative Awards