

Green Financing

Framework



February
2021

ABOUT TRØNDERENERGI

TrønderEnergi is a renewable energy producer and developer of energy solutions. The Group generates annual sales of approximately NOK 1 billion and employs around 250 staff. The main focus of TrønderEnergi is renewable energy production and energy related business. TrønderEnergi is owned by 18 municipalities in Trøndelag county and KLP (Kommunal Landspensjonskasse mutual insurance company).

TrønderEnergi has 70 years of history dating back to 1950 when the first review of the need for a regional energy company was made. It was initially hydropower that was utilized, but later expanded to grid development, wind power and energy related services.

TrønderEnergi produced 2.2 TWh of renewable energy in 2020, with a mean annual production of 1.8 TWh. This corresponds to the consumption of all of Trondheim city for a whole year. In addition, TrønderEnergi Kraft AS was operator for an additional 0.9 TWh. By 2021 and 2022 TrønderEnergi's share of production is expected to grow with 600 GWh. At the same time the level of operatorship is increased by 1.7 TWh. In addition, the newly founded business area of energy management will manage 600 GWh. In total TrønderEnergi expects to have renewable energy under management of approximately 5.7 TWh. The growth stems mainly from the completion of wind farms and the handover of the operatorship in Roan Vindpark. By 2022 the company is wholly or partly owner of 18 hydropower plants, 14 fully operating wind farms and is one

of Norway's most efficient power generation companies.

TrønderEnergi has also contributed to establish Norway's second largest grid company. Tensio AS, where TrønderEnergi currently holds a 40 % ownership, is the holding company of Tensio Trøndelag Sør AS (former TrønderEnergi Nett AS) and Tensio Trøndelag Nord AS (former NTE Nett AS).



Sustainability at TrønderEnergi

The UN's Intergovernmental Panel on Climate Change has never been so clear: CO2 emissions must go down quickly. More production and use of renewable energy are an important part of the solution. TrønderEnergi is already a major player in hydro, wind and energy related solutions. TrønderEnergi has as its main goal to increase the hydropower production, become a leading player in the Nordic windfarm market and create more growth within electrification.

TrønderEnergi strives to create value through environmentally friendly production and distribution of energy for the benefit of the local region. We were **pioneers** when hydropower was established, and when Norway's first wind power plant was constructed. We were first, not because that is important in and of itself, but because someone must pave the way. We carry our history as pioneers with us when we as an important player in the local community, retail segment and as a large energy producer, can contribute to the UN Sustainable Development Goals. This is shown through our defined **DNA**. We have an **ambition** to reach a zero-emission society, the **purpose** is to build sustainable communities, and this requires an open, brave and responsible **character**. We **promise** to pursue sustainable solutions.

HOW TRØNDERENERGI WILL CONTRIBUTE TO A SUSTAINABLE FUTURE

TrønderEnergi mainly contribute to a greener future by providing more hydro- and wind power, and better connectivity to renewable energy sources through innovative and energy related solutions. Furthermore, to enable these solutions TrønderEnergi is involved in exciting Research and development projects (R&D), guides student theses and encourage (sustainable) entrepreneurship. Two of the most interesting R&D-projects are the EU projects Positive CityxChange and REMOTE. The former is a large international project aiming at creating the sustainable cities of the future, producing more energy than they consume. And the latter aimed at creating a micro grid capable of

sustaining a large farm with renewable energy, without being connected to the grid.

Constructing and developing a society will to some degree adversely impact the environment. With today's technology it is unfortunately impossible to simultaneously and equally safeguard every important consideration while creating the zero-emission society we work toward. TrønderEnergi acknowledge that building wind- and hydro powerplants and expanding connectivity will affect the surrounding environment. But as we need more renewable power to reduce the carbon footprint, this entails that we must be vigilant in trying to minimize the undesirable effects of our decisions and balance the pros and cons so as to maximize sustainability. TrønderEnergi is determined to keep contributing to a greener future by being mindful of this and implement the necessary measures to fulfill our sustainability goals.

TrønderEnergi therefore designs, builds and operate all our facilities in a way that is gentle for both the environment and surrounding habitants. We continually strive to reduce the negative impact of access roads, dams, wind turbines and hydro powerplants on the surrounding ecosystems and its wildlife. All of TrønderEnergi's energy production is renewable and TrønderEnergi will continue to be an advocate for further development of green energy and preservation of wildlife and ecosystems.

WINDFARMS

TrønderEnergi has been a pioneer in the Norwegian onshore wind power business and has participated in development, construction and operation of wind farms since 1986. The company has contributed to the development and construction of Fosen Vind, Sarepta Energi, Midgard Vind as well existing wind farms; Valsneset, Bessakerfjellet, Ytre Vikna 1 (Sarepta) and Skomakerfjellet. In order to meet the demand for clean energy TrønderEnergi is currently building out the renewable energy capacity with windfarms at Frøya, Stokkfjellet in Selbu, Sørmarkfjellet in Flatanger and Osen and Hundhammerfjellet at Nærøy. Combined these four projects will generate 1 TWh of renewable energy annually. TrønderEnergi's wind farm portfolio consists of partly ownership in Midgard Vind (30 %) and Fosen Vind DA (7.9 %) which in total will have 14 operational windfarms by 2022.

HYDROPOWER

With 18 hydro power plants hydropower is currently the largest contributor to renewable energy for TrønderEnergi. TrønderEnergi have long experience in development, construction and operation of hydropower plants. The focus going forward is to increase the value of the current hydropower stations through digitalization, energy management and operational excellence. The hydro portfolio consists of a variety of projects with different history and sizes. The production capacity varies from smaller hydropower plants such as Nunelva generating 1.2 GWh up to Driva generating 655 GWh annually. Combined this portfolio generates 1.8 TWh of renewable energy annually



UN Sustainable Developments Goals

TrønderEnergi has had an increasingly strong internal drive to be a part of the green solution. This entails taking an active and central role in tackling the global sustainability challenges. A natural step in accomplishing that was to incorporate the UN Sustainable Development Goals (SDGs) into our business strategy. In 2015 all members of the UN came together and agreed on 17 sustainable development goals to act as guide for countries and companies in developing their own sustainability strategy. TrønderEnergi highlights 5 SDG's in the sustainability strategy; 7, 8, 12, 13 and 15.



TRØNDERENERGI'S VISION STATEMENT

"TrønderEnergi shall contribute to Norway achieving the 2030 climate goal"



TrønderEnergi has prioritized SDG's and defined their place in our value chain and operations in order to contribute in a meaningful way. This does not mean that the other goals are less important, or that we do not work on them, as the main point of the goals are to see the different aspects of human development as inextricably linked to each other. However, this is a recognition of the fact that no one can solve all problems alone. But if everyone contributes in a structured and informed way, we can achieve the necessary change together.

"SDG 13: Climate action" function as an overarching SDG for TrønderEnergi, and it involves "taking urgent action to combat climate change". However, taking urgent action alone is not enough. It must be the right actions, and they must be precisely targeted in order to be meaningful.

Hence, TrønderEnergi has prioritized what we call The Big Four, four SDG's that help guide our efforts towards SDG 13. TrønderEnergi shall be a sustainability-catalyzer for our surroundings through "protecting, restoring and promoting sustainable use of ecosystems (SDG15)", both through our services and our suppliers. We will continue to promote "decent work and economic growth (SDG8)". Furthermore, "SDG 7: Assuring affordable and clean energy" is at the very core of our business. TrønderEnergi shall also "Ensure sustainable consumption and production patterns (SDG12)" both through our services and suppliers. Green Financing will ensure that sustainability continue to be an integrated part of profitability at TrønderEnergi, now and for generations to come.



The figure shows the entirety of sustainability in TrønderEnergi, and how we view ESG as a central part of it. It puts the Big Four in a TrønderEnergi context that is relevant for our operations, and highlights the most important aspects of sustainability.



Framework Structure

As part of TrønderEnergi continued commitment to sustainability, a Green Finance Framework (the “Framework”) has been developed together with SEB. The structure of the Framework is developed to be in line with both the ICMA Green Bond Principles (GBP) 2018, as well as the LMA and APLMA Green Loan Principles (GLP) 2018, and therefore consists of the four key pillars and recommended External Review component.

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

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

Exclusions

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

Green Financing Framework

The international Capital Markets Association (ICMA) Green Bond Principles (GBP) 2018 are a set of voluntary guidelines that recommend and promote transparency and disclosure. GBP promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. This Green Financing Framework is based on the 2018 version of GBP. It is TrønderEnergi intention to follow best practices in the market as the standards develop and as such the Framework may be updated from time to time.






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



1. Use of Proceeds

The net proceeds of the Green Bonds issued, or Green Loans obtained by TrønderEnergi will be used to finance or re-finance Eligible Projects that have been evaluated and selected by TrønderEnergi in accordance to this Green Financing Framework. Refinancing

of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance. The table below will define the criteria for projects in which TrønderEnergi can spend Green Use of Proceeds under this framework. These projects will be defined as “Eligible Projects”.

Categories	Eligible Projects	UN SDG's	
Renewable Energy	Construction, reconstruction and upgrading of renewable energy and related infrastructure. Renewable energy sources will include hydropower plants and windfarms. Related infrastructure could include access roads, dams and grid connection.	 	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Take urgent action to combat climate change and its impacts</p>
Energy Efficiency	<p>Projects that promote the electrification of cities, grocery stores and society in whole. This could for example include development of charging infrastructure or sophisticated concepts/solutions for energy consumption such as, but not limited to, “Ohmia Charging” and “Ohmia Retail”</p> <p>R&D that promotes new innovative solutions that has a clear target of reducing energy loss or increasing the utilisation of renewable energy such as, but not limited to, “CityxChange” and “REMOTE”</p>	  	<p>Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p> <p>Take urgent action to combat climate change and its impacts</p>

2. Selection and Evaluation of eligible projects

TrønderEnergi has established a Green Finance Committee (GFC) to evaluate and select assets that are in line with the criteria set out in the use of proceeds section. The committee meets at least on an annual basis or when needed. The Green Finance Committee is comprised of representatives from treasury, group sustainability and internal audit, where the group sustainability representative has veto.

The Green Finance Committee is responsible for:

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

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

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

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

Management of proceeds

TrønderEnergi will establish a Green Financing Register with the purpose to monitor Eligible Projects financed by the Green Bonds and Loans issued by TrønderEnergi as well as 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 TrønderEnergi Green Bonds and Loans. There may be periods when the total outstanding net proceeds of Green Bonds and Loans 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 TrønderEnergi liquidity management policy and managed as such. The Green Financing Register will form the basis for the impact reporting.

3. Reporting

To enable investors to follow the development and to provide insight to prioritized areas TrønderEnergi will provide a Green Financing Investor Letter on an annual basis. TrønderEnergi 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

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

Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Projects financed under this Framework, based on TrønderEnergi financing share of each project. As TrønderEnergi 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 e.g. if a Wind Farm is under construction but not yet operational, TrønderEnergi will provide best estimates of future energy generation. The impact assessment will, if applicable, be based on the Key Performance

Indicators (KPIs) presented in the table below.

GBP Categories	Examples of impact indicators
Renewable energy	Amount of renewable energy generated (MWh) Amount of CO2e avoided (Tonnes)
Energy Efficiency	List of electrification projects financed by Green Finance and why these initiatives are sustainable (quantitative figures where feasible). List of R&D projects financed by Green Financing and why these are sustainable.

4. External Review

Second party opinion (pre-issuance)

To secure alignment with national and international guidelines, TrønderEnergi has engaged CICERO to act as an external verifier of this Green Financing Framework and the Eligible Projects.

Third-Party Review (post-issuance)

TrønderEnergi has appointed an external independent auditor to annually assure that the selection process for the financing of Eligible Projects and that the allocation of the net proceeds of the Green Financing are done in accordance with TrønderEnergi Green Financing Framework.

Publicly Available Documents

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