

# Green Finance Letter 2023

TrønderEnergi® 



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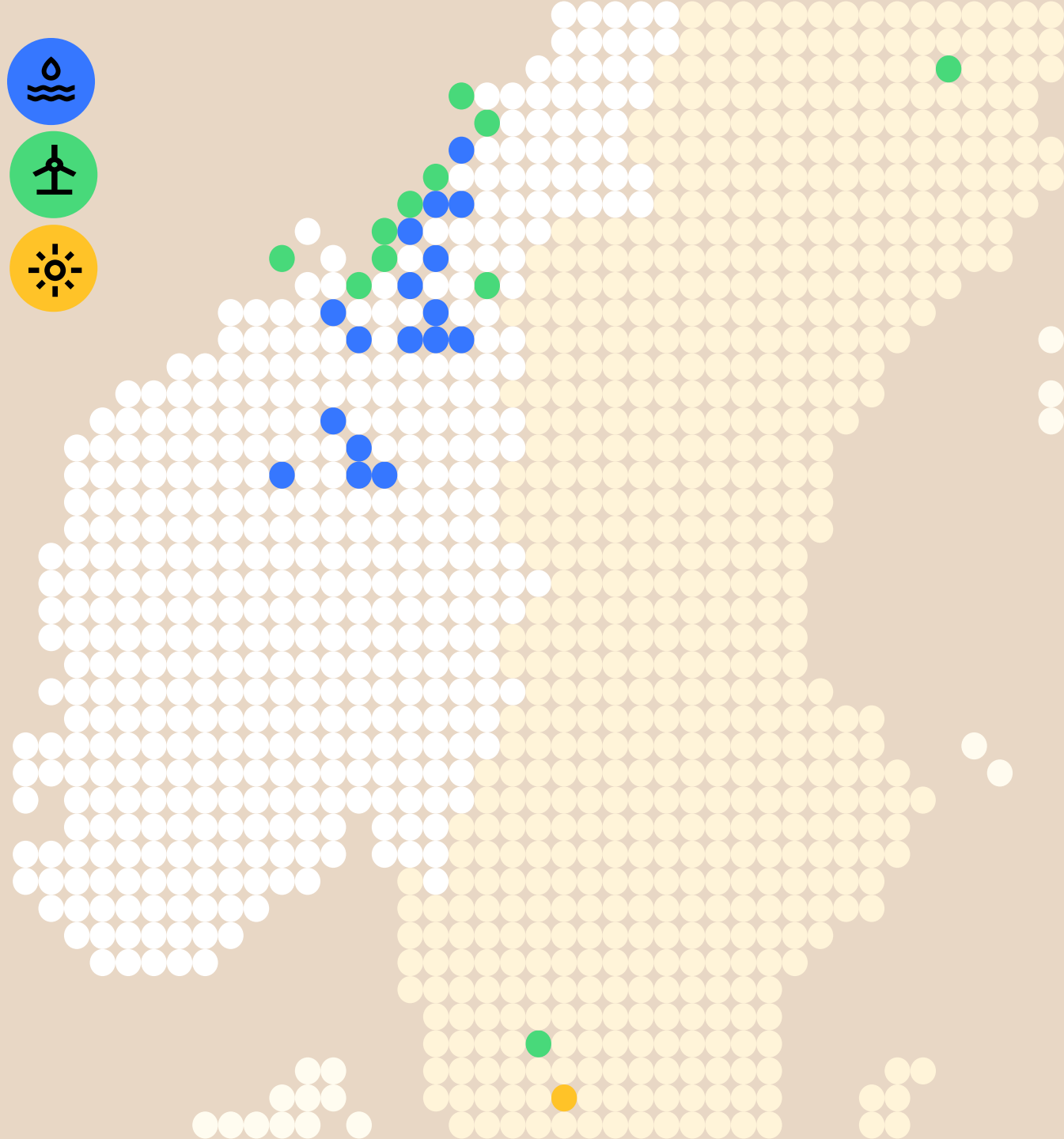
# Introduction

## About TrønderEnergi

TrønderEnergi is one of the largest locally owned utilities in Norway, owned by 19 municipalities in Mid Norway and KLP.

TrønderEnergi owns 40 % of the second largest grid company in Norway, Tensio AS. In addition, TrønderEnergi holds a 25,5 % ownership in the growth company Aneo, that focuses on wind and solar power production, and energy efficiency solutions. TrønderEnergi is also a majority stakeholder in TrønderEnergi Kraft, a hydropower production company. In total, TrønderEnergi is a co-owner of 17 hydropower plants, 16 wind farms and one solar farm currently under construction.

Through its ownership, TrønderEnergi strive to design, construct, and operate all production facilities in a manner that minimizes negative impacts on people and the environment, while maximizing contributions to value creation and clean energy. All our energy production is, and shall always be, renewable.



## Sustainability Strategy

We manage natural resources. This is a big responsibility, and one we don't take lightly. And hence, we feel obligated to integrate sustainability in everything we do. Our ambition is to be a Pioneer for sustainable development within renewable power production and in new energy services in Norway and the Nordics. This entails that every time we make a decision, the sustainability perspective is an ingrained part of our decision making.

We emphasize that sustainability is a three-dimensional concept, encompassing environment, economy and social considerations, and entails meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Through a business wide process including employees ranging from executives to trainees, TrønderEnergi chose to adopt the UN Sustainability Goals as a way of coordinating our efforts. Considering our activities and accompanying capabilities we decided to focus on SDG 13 *Stop Climate Change* as our main goal, and *prioritize* seven more SDGs; 5 Gender Equality, 7 Affordable and clean Energy, 8 Decent work and economic growth, 9 Industry, innovation and infrastructure, 12 Responsible consumption and production, 15 Life on land and 16 Peace, justice and strong institutions. Together these are affectionally known as The Big Seven.

With these prioritizations we developed a sustainability policy with specific goals within each of the three dimensions of sustainability. To read more about our sustainability strategy, see our Sustainability Report 2023 available at our website.



# Green Finance Framework






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. Reporting
4. External review

These pillars are covered in detail in our green finance framework published on the company`s website.

In addition to Green Finance Instruments issued by TrønderEnergi in the capital market, the company have Green Loans provided by lending institutions. Green Loans taken by TrønderEnergi are 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 in this report. In the table you will find the relevant categories and the eligible projects TrønderEnergi can allocate the use of proceeds

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.	 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all
		 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts
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, “Aneo Mobility” and “Aneo Retail”</p> <p>R&amp;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>	 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all
		 11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable
		 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts

# Allocation Report

## Introduction

TrønderEnergi issued green bonds in February 2021 in the Norwegian market with tenors and amounts of respectively 4.5 years and NOK 650m and 7 years and NOK 850m. Green bonds and allocation of proceeds follows the Green Finance Framework. In addition, TrønderEnergi entered a loan agreement with Nordic Investment Bank amounting to NOK 600m in December 2020. The loan agreement states an amortization free period of 5 years followed by a ten-year repayment plan.

TrønderEnergi sees the Green Bond market as a necessity and an important marketplace to finance sustainable projects. Given the green shift, ongoing political movements, and increased underlying risks due to climate change, we believe this attracts more investors, and hence, a more diverse investor base. Given TrønderEnergi's portfolio of future green projects and activities, the Green Bond market will be an important source of funding in the future. TrønderEnergi's green bonds are listed, and investors participating in the issue were mainly pension companies, insurance companies and asset management.

In light of the transaction with HitecVision in 2022, TrønderEnergi has adjusted the allocation report to reflect the new ownership structure. The reported figures for 2021 is aggregated in one single column, listing all eligible projects and activities, as well as figures for 2022. For 2023 and onwards, TrønderEnergi will only report allocation to eligible project from hydro assets, unless TrønderEnergi participate in capital raisings or other M&A activities with the intention to use proceeds to eligible projects aligned with the green finance framework.

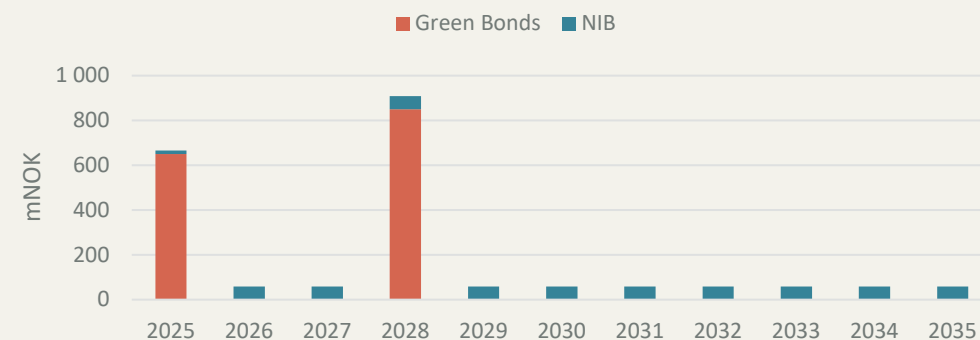
TrønderEnergi acknowledge that transparency has a tremendous value with respect to the market. However, TrønderEnergi reserves the right to withhold certain information with respect to confidentiality agreements if need be. The allocation of proceeds will be presented on an aggregated portfolio basis where necessary.

## Green Financing Portfolio

TrønderEnergi's green financing portfolio amounts to a total of NOK 2,1 bn.

ISIN / Name	Issue Date	Maturity	Outstanding Amount (kNOK)
NIB 2020 / 2035 (Fosen Vind)	18.12.2020	18.12.2035	600 000
NO0010936222	24.02.2021	24.09.2025	650 000
NO0010936198	24.02.2021	24.02.2028	850 000
Green Bonds			1 500 000
Other Green Finance			600 000
Total Green Financing			2 100 000

Maturity Profile TrønderEnergi Green Finance Portfolio



# Allocation Report

## Eligible Projects and Investments

The figures in the following sections illustrate the distribution of proceeds. We distinguish between eligible projects allocated to the green bonds and for the loan agreement with NIB. As mentioned in previous sections, the NIB loan is related to Fosen Vind projects and is therefore categorized under "Renewable Energy".

### Green Bond / NIB - Eligible Projects

Category	Green Bond	NIB	Sum Total
Renewable Energy	738 309	662 900	1 401 209
Energy Efficiency	193 912		193 912
<b>Sum Total</b>	<b>932 221</b>	<b>662 900</b>	<b>1 595 121</b>

### Overview Green Bonds

The two tables illustrate the exact allocation between categories and the investment year. The Green Finance Register shows that TrønderEnergi, given the new owner structure has unallocated funds available for new eligible green projects in the future. Proceeds yet to be allocated towards Eligible Projects will be held in accordance with TrønderEnergi liquidity management policy and managed as such.

## Allocation Report - Green Bond Financing 2023

Category	Ownership	Eligible Projects	2018-2022	2023	Sum Total
Renewable Energy	85,86 %	Hydro	255 698	35 030	290 728
Renewable Energy	25,50 %	Wind	365 536		365 536
Renewable Energy	25,50 %	Biogas	73 764		73 764
Renewable Energy	25,50 %	Solar	8 282		8 282
Energy Efficiency	25,50 %	Aneo Mobility	115 047		115 047
Energy Efficiency	25,50 %	Aneo Retail	35 879		35 879
Energy Efficiency	25,50 %	Aneo Build	35 632		35 632
Energy Efficiency	25,50 %	Aneo Industry	827		827
Energy Efficiency	25,50 %	Aneo Real Estate	1 630		1 630
Energy Efficiency	25,50 %	R&D	4 896		4 896
<b>Sum Total</b>			<b>897 191</b>	<b>35 030</b>	<b>932 221</b>
<b>Unallocated Funds</b>					<b>567 779</b>

# Impact Report

All human activity will lead to greenhouse gas emissions in addition to other environmental consequences. If to less extent directly during its use and maintenance phase, then through the resource extraction, transport, technology production, disposal phase, or through land use changes. TrønderEnergi acknowledges that also power production have such consequences but maintains that the positive climate and environment consequences greatly exceeds the negative ones.

TrønderEnergi aims to be as diligent as possible when assessing the positive impacts of our renewable activities. Among other things, that entails avoiding green washing by being conservative in the calculation of the positive effects of our endeavours and being as transparent as possible in our calculations.

It is therefore important to be aware that the green bonds hasn't necessarily covered the total costs of the listed activities and hence are not responsible for the listed impacts in their totality. Many of TrønderEnergi's projects stems from decades old constructions and facilities, and the green bonds have in some cases been used for maintenance and rehabilitation. As it is impossible to precisely determine to what extent a given measure contribute to for example extended production time, TrønderEnergi has determined to provide the total value. The expenditure therefor will not necessarily reflect the given yearly power production. Hence, it is more precise to say that the green bonds listed in this report can be said to have *contributed* to enabling projects with impacts as listed under the section for "Renewable Power Production".





# Impact Report

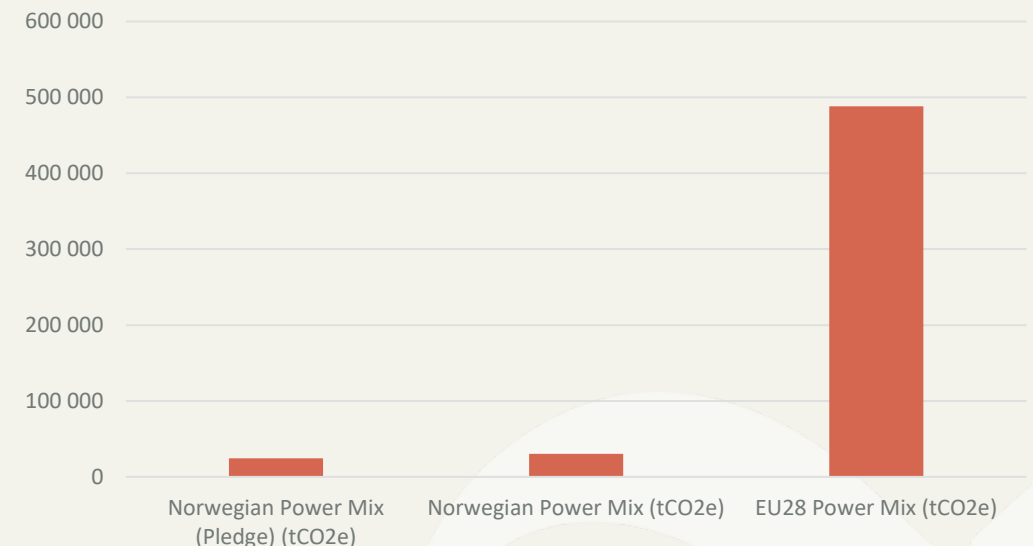
## Renewable Energy

To quantify the carbon emission mitigation due to these projects, we've decided to compare the carbon intensity of the realized project with the carbon intensity of the average technology composition that would be needed to replace the power production of the realized project. The calculations of emissions avoided is dependent upon the chosen frame of reference, as to what power production that in theory could be replaced by our renewable power project. Hence, we've calculated the saved emissions for the Norwegian and the EU28 Power Mix.

TrønderEnergi pledged to use a common grid factor of 16 gCO<sub>2</sub>e/kWh with reference to the Norwegian Electricity mix when issuing the green bonds in 2021. At the time NVEs estimation was 11 gCO<sub>2</sub>e/kWh but was adjusted up to 19 gCO<sub>2</sub>e/kWh in their latest update in 2022 (1). We've decided to include both numbers to honour that pledge but also provide an updated insight into the value of the assets. Furthermore, Ember Climate estimates EU28 power mix at 255 gCO<sub>2</sub>e/kWh (2).

According to calculations by the Norwegian Institute for Sustainability Research (NORSUS) the LCA emissions of a typical hydro power plant in Norway is 3.3 gCO<sub>2</sub>e/kWh (3). This baseline is then compared to the aforementioned power mixes and multiplied with the yearly production in 2023.

	Production in portfolio 2023 (GWh)	Norwegian Power Mix (Pledge) (tCO <sub>2</sub> e)	Norwegian Power Mix (tCO <sub>2</sub> e)	EU28 Power Mix (tCO <sub>2</sub> e)
Impact from power production	1449.9	18 414	22 762.8	364 945.9



### Sources

- (1) <https://www.nve.no/energi/energisystem/kraftproduksjon/hvor-kommer-strommen-fra/>
- (2) <https://ember-climate.org/insights/research/european-electricity-review-2023/>
- (3) <https://norsus.no/publikasjon/the-inventory-and-life-cycle-data-for-norwegian-hydroelectricity/>

# Limited Assurance Report From the Independent Auditor



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Trønderenergi AS

To the Management of Trønderenergi AS

## INDEPENDENT AUDITORS' LIMITED ASSURANCE REPORT ON TRØNDERENERGI'S GREEN FINANCE LETTER

We have performed a limited assurance engagement for the Management of Trønderenergi AS on information set out in table "Allocation Report – Green Bond Financing 2023" (the "Selected Information") within the Green Finance Letter for the reporting period ended 31 December 2023.

### Our limited assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2023, as described below, has not been prepared, in all material respects, in accordance with the Applicable Criteria.

### Scope of our work

Trønderenergi AS has engaged us to provide independent Limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ISAE 3000 (Revised)", issued by the International Auditing and Assurance Standards Board ("IAASB")) and our agreed terms of engagement.

The Selected Information in scope of our engagement, as presented in the Green Finance Letter for the year ended 31 December 2023 is as follows:

Selected Information Green Finance Letter 2023	Applicable Criteria
Table «Allocation Report – Green Bond Financing 2023», column «2023»	Whether the proceeds have been allocated to the Eligible Projects as communicated in the table «Allocation Report – Green Bond Financing 2023»
Table «Allocation Report – Green Bond Financing 2023», column «Eligible Projects»	Whether the Eligible Projects comply with the criteria in Trønderenergis Green Financing Framework (February 2021), from section «Selection and evaluation of eligible projects».

In relation to the Selected Information, as listed in the above table, the Selected Information needs to be read and understood together with the Applicable Criteria.

### Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

### Management' responsibilities

The Management are responsible for:

- ensuring that the Use of Proceeds follows the Trønderenergi Green Financing Framework

- ensuring that the project evaluation and selection, management of proceeds and reporting described in the Green Finance Letter are in accordance with the purpose defined within the Trønderenergi's Green Financing Framework.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.

### Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the Management.

### Our independence and quality management

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Key procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the description of activities undertaken in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment and included, among others, an assessment of the appropriateness of the Applicable Criteria. In carrying out our Limited assurance engagement on the description of activities undertaken in respect of the Selected Information, we performed the following procedures:

- Through inquiries of relevant personnel obtain an understanding of the Company, its environment, processes and information systems relevant to the preparation of the Selected Information sufficient to identify areas where material misstatement in the Selected Information is likely to arise, providing a basis for designing and performing procedures to respond to address these areas and to obtain limited assurance to support a conclusion.
- Through inquiries of relevant personnel obtain an understanding of the internal processes relevant to the Selected Information and data used in preparing the Selected Information, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected Information.
- Perform procedures on a sample basis to assess whether the Selected Information has been collected and reported in accordance with the Applicable Criteria, including comparing to source documentation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Bergen, 24 April 2024  
Deloitte AS

Jill Osa-Svanberg  
State Authorised Public Accountant