

Green Bond Framework

December 2018

1 Background

Statnett is the transmission system operator (TSO) in the Norwegian power system and is responsible for developing, operating and maintaining the transmission grid in the interests of society.

Statnett is a state-owned enterprise established in accordance with the Act relating to state-owned enterprises and is owned by the state through the Ministry of Petroleum and Energy (OED). The Norwegian Water Resources and Energy Directorate (NVE) is responsible for supervision in accordance with watercourse and energy legislation.

Statnett's responsibilities are operationalized under three main roles:

- System operator – securing instantaneous balance between production and consumption at all times
- Grid owner – owner of the Norwegian transmission grid and connections with other countries' power systems
- Power system planner – responsible for planning of the transmission grid in the Norwegian power system

Statnett shall contribute to the following:

- Security of supply – Statnett shall safeguard Norwegian security of supply through operations, monitoring and emergency preparedness
- Value-creation – Statnett shall facilitate value-creation for both customers and society
- Electrification – Statnett shall facilitate use of electricity in new areas (electrification) and new renewable projects to enable Norway to achieve its climate targets

As a state-owned enterprise, Statnett is expected to map climate risks, identify risk-management measures and be aware of the benefits of early adaptation to climate change and new climate-policy measures. In 2018, Statnett will perform further work on climate risk and facilitation of climate-friendly solutions.

Statnett's overarching risk profile relates to more extreme weather and a more intense focus on climate policy, which is in turn giving rise to more stringent legal requirements in Europe and Norway. The European power system will be developed according to a climate perspective, while climate changes are heightening the requirements to secure grid infrastructure at all voltage levels.

Statnett develops the power system by expanding and reinvesting in the transmission grid, and by developing system operation solutions in Norway and in collaboration with other Nordic TSO's.

This development is intended to facilitate closer market integration in the Nordic region and Europe.

Statnett systematically works on preventive environmental measures to reduce the likelihood of serious incidents in the construction, operation and maintenance of the grid, and to minimise any negative climate and environmental impacts. The most important way Statnett contributes to a reduction in greenhouse gas emissions is by facilitating use of electricity in new areas and in renewable development. It is also important to maintain biodiversity and other local and national environmental values to the greatest extent possible. Statnett endeavors to identify solutions that provide a good aesthetic fit with the environment and involve limited encroachment on new natural areas. Statnett's facilities shall be planned and constructed in a way that reduces greenhouse gas emissions from its own activities and does not pollute the environment. For a more detailed report on climate and the environment, please refer to the Corporate Social Responsibility Report in Statnett's Annual Report¹.

This Green Bonds Framework is developed in alignment with the Green Bond Principles 2018². It is Statnett's intention to follow best practices in the market as standards develop.

2 Use of Proceeds

"Eligible Projects" means a selected pool of projects funded, in whole or in part, by Statnett that promote the transition to low carbon and climate resilient growth and a sustainable economy as determined by Statnett.

Eligible Projects:

Category	Description
Connecting renewable power	Projects directly associated with renewable power production. Grid reinforcement projects in this category are a prerequisite for connecting new renewable power production to the power system.
Enabling efficient use of clean energy	Projects directly associated with serving demand for electricity. The projects in this category will typically be initiated due to: <ul style="list-style-type: none">- Increased demand for electricity, due to transition from fossil fuels to electric solutions (i.e. electric cars, electric heating, electrification of industrial processes instead of fossil fuel usage), and/or:- Poor conditions of existing network components that are important for serving existing and future demand for electricity. Typical projects would be an upgrade of existing lines and

¹ See Statnett's website: <http://www.statnett.no/Finans/Arsrapporter/>

² See International Capital Market Association, ICMA: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles--June-2018-140618-WEB.pdf>

	substations, due to old age and/or new technical requirements.
Increasing the market for renewable energy	Interconnectors between regional markets to increase the provision of clean electricity. A typical project would be interconnectors between regional markets in Norway or between Norway and other countries (namely, countries with a clear goal of a renewable power system). Clean energy production is typically intermittent and/or stochastic. Interconnectors increase the market for clean energy and reduce the uncertainty for both producers and consumers. This facilitates increased demand and supply of clean electricity.

Statnett Green Bonds will not directly finance nuclear or fossil energy generation projects.

Statnett Green Bonds can be used to finance the acquisition and development of new Eligible Projects and to refinance existing Eligible Projects. The division of the allocation of Green Bond proceeds between new Projects and refinancing will be included in the annual Green Bond Investor Letter (see section 5 below).

3 Process for Project Evaluation and Selection

Eligible Projects will be:

1. Evaluated by representatives from at least three of the four following functions, (with one representative from each function present): Grid Planning Function, Land Use and Environmental Function; Finance and Treasury Function; and the Environmental Social and Governance (ESG) Function.
2. Selected as Potential Eligible Projects if they meet the criteria in the Green Bond Framework.
3. Approved as Eligible Projects by representatives from the Grid Planning Function, Land Use and Environmental Function, Finance and Treasury Function and/or the ESG Function. The Representative from the Land Use and Environment Function must always be present and will have a veto.

Only projects which meet the criteria of Statnett's Green Bond Framework, and have a high likelihood for positive, net long-term environmental effects, will be approved. A record will be kept of meetings held and decisions made.

4 Management of Proceeds

An amount equal to the net proceeds of the issue of the Green Bonds will be booked to a dedicated account that will support Statnett's funding of Eligible Projects. As long as the Green Bonds are outstanding and the dedicated account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the dedicated account and added to Statnett's Green Project Portfolio in an amount equal to all disbursements made during such quarter in respect of

financing and/or refinancing of Eligible Projects. If, for any reason, a financed Eligible Project no longer meets the eligibility criteria, it will be removed from the Green Project Portfolio.

5 Reporting

To enable investors to follow the development and provide insight to prioritized areas, Statnett will provide an annual Green Bond Investor Letter to investors including:

- a. list of the Projects financed including a brief description and expected impact where feasible
- b. information about the division of the allocation of Green Bond proceeds between new Projects and refinancing
- c. a summary of Statnett's Green Bond development.

6 External review

To secure alignment with national and international guidelines Statnett has obtained an external second party opinion on the Green Bond Framework. The second opinion will be made available on Statnett's webpage.

An appropriate independent auditor or similar third party appointed by Statnett with the relevant expertise and experience will annually assure Statnett's selection process for the financing of Eligible Projects and the allocation of the proceeds of Statnett's Green Bonds, and that such processes and allocations are in accordance with the Statnett Green Bond Framework. The opinion of the assurance provider will be made publicly available on Statnett's webpage.