

Statnett

Green Bond
**Investor letter and
impact report**

2020



Introduction

Statnett is the transmission system operator (TSO) in the Norwegian power system and is responsible for developing, operating and maintaining the transmission grid in a socio-economically optimal manner.

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 Energy Regulatory Authority (RME) acts as an independent regulatory authority.

Statnett's strategy is to develop a future-proof and efficient power system that facilitates increased renewable power production, new power-intensive business activities and electrification in order to reduce CO2 emissions. The company shall help satisfy customers' needs for green power through high quality and availability of grid capacity and systems.

Statnett's contribution to the UN Sustainable Development Goals

Statnett is facilitating the electrification of society, and we perform our tasks in a sustainable fashion. In this way, Statnett assumes its share of the responsibility for ensuring that the UN Sustainable Development Goals (SDGs) are reached by 2030.

Electrification is an important factor in reaching global and national climate targets. Statnett's contribution is to reinforce and renew the power transmission grid, so that fossil energy can be replaced by renewable, emission-free electricity.

Business enterprises are affected by a number of development trends and global challenges, such as globalization, technological advances, climate change, loss of biodiversity and a shortage of natural resources. The SDGs provide a framework for Statnett's efforts to create value in a sustainable way.

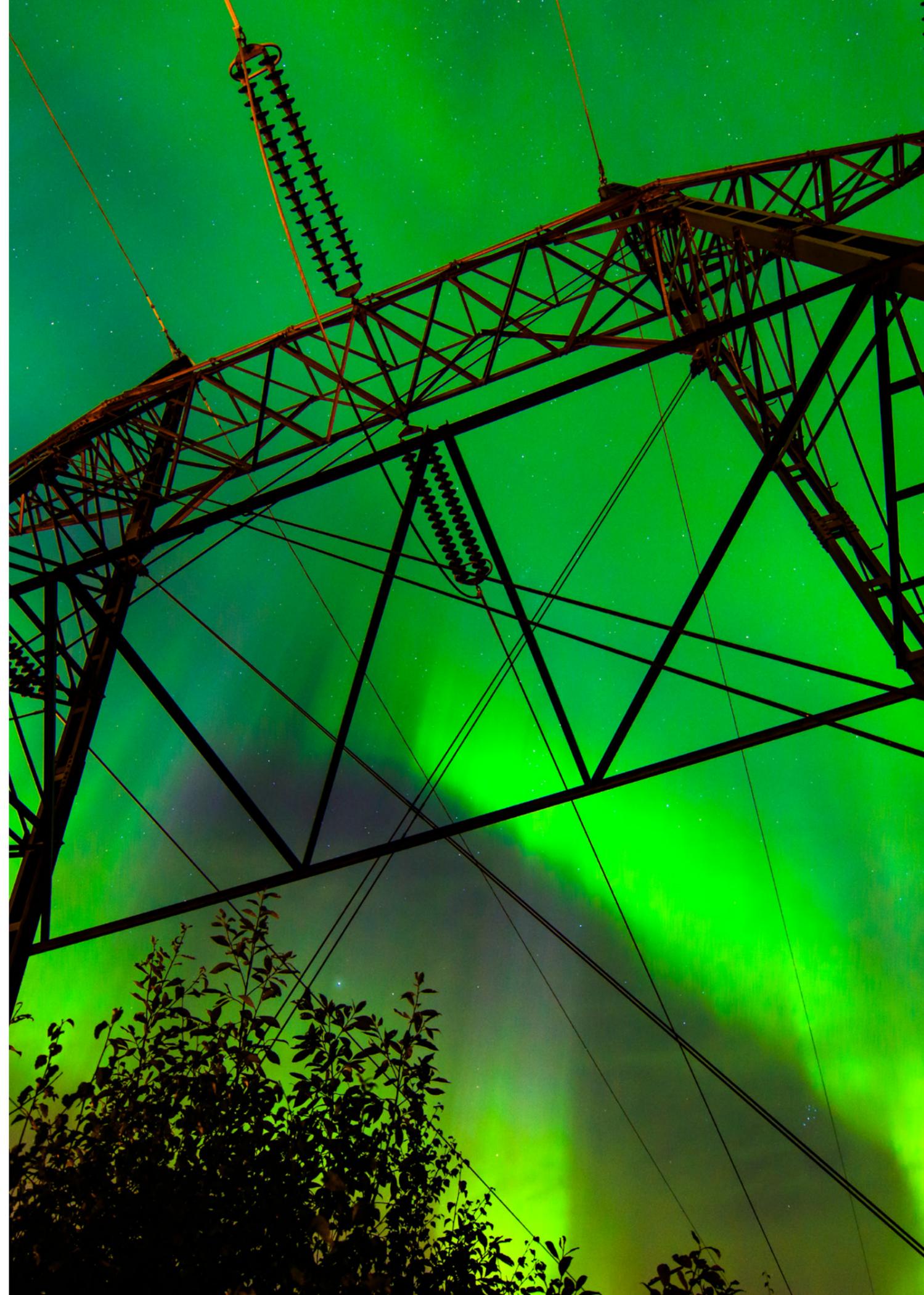
Statnett has identified seven SDGs to which the company contribute through the fulfilment of the company's social mandate and the corporate social responsibility.

In 2020, Statnett formalized its commitment to work for the realisation of these goals by joining the UN's sustainable business initiative: the UN Global Compact.

Statnetts Sustainability report is available on our webpage:

<https://www.statnett.no/en/about-statnett/corporate-social-responsibility/>

Statnetts identified SDGs



The Framework

Statnett established a Green Bonds Framework as part of its financing strategy in December 2018. The Green Bonds Framework has been assessed by the independent third-party Center for International Climate and Environmental Research (CICERO) who issued their Second Opinion.

The green bond framework covers three main categories:

1. **connecting renewable energy**
2. **efficient use of clean energy**
3. **increasing market share of renewable energy**

Statnett achieved the highest possible shading (Dark Green) in the Second Opinion, with an “Excellent” governance score. The Framework and the Second Opinion are available on our web page: <https://www.statnett.no/en/about-statnett/investor-relations/green-financing/>

The framework describes what can be financed by proceeds from Green Financing. The selection and evaluation of Green Eligible Projects is conducted with representatives from at least three of the four following functions present; Grid Planning Function, Land Use and Environmental Function, Finance and Treasury Function, ESG Function.

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 is kept of meetings held and decisions made.

The Inaugural Green Bond

The inaugural Green Bond was issued in June 2020 in both the Norwegian and Swedish markets with tenors and amounts of respectively 3 years and 1,25 billion NOK and 3 years and 2,25 billion SEK.

Project categories included was efficient use of clean energy (category 2) and increasing market share of renewable energy (category 3).

Investors participating in the issue were insurance companies, pension companies and asset managers. Several green only investors also participated.

Statnett sees the Green Bond market as an important market to finance sustainability goals. It is attracting a more diversified base of investors and hence an important source of funding. The size of our portfolio of green eligible projects indicates the green bond market will be important to us.

Statnetts Green Bonds are issued under the company's Euro Medium Term Note Programme and are listed.



Green Bond Reporting

Green Finance Portfolio

The total Green Finance Portfolio is about NOK 3,6 bn, all from the inaugural green bond issued summer 2020.

Instrument	ISIN	Issue Date	Maturity date	Currency	Amount (millions)
Green Bond	NO0010886799	30.06.2020	30.06.2023	NOK	1 250
Green Bond	XS 219798938.2	30.06.2020	30.06.2023	SEK	2 250
Total (in NOKm eqiv)					3 568

Green Finance Portfolio divided in project categories

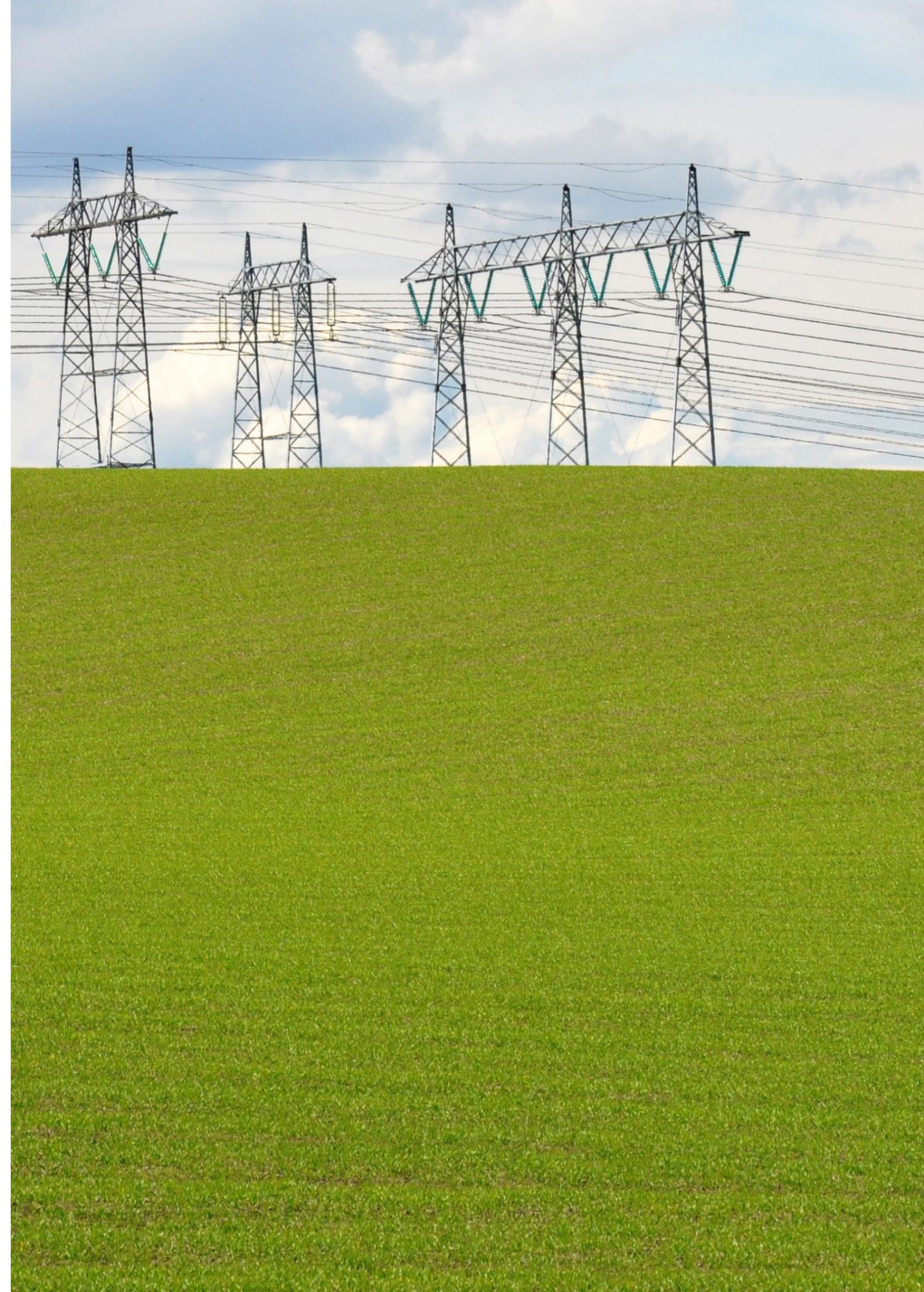
		2020
New projects	Category 1	-
	Category 2	495
	Category 3	3 073
Sum New projects		3 568
Reinvested projects	Category 1	-
	Category 2	-
	Category 3	-
Sum Reinvested projects		-
Total (in NOKm eqiv)		3 568

Green Financed Projects

Project	Financed (NOKm)	Investments as of dec 2020 (NOKm)	Remaining financed to be allocated to next year	Impact assessment
Smestad - Sogn	495	966	-	Capacity: 2500MW ^{*1}
NSL	3 073	6 688	-	Capacity; 1400MW Estimated CO ₂ -reduction: 367 600 ton/y ^{*2}

^{*1} Category 2 projects are a precondition for making category 1 and 3 projects possible and their contributions to CO₂ reduction. Hence, the CO₂ reductions for projects under category 2 are indirect, and not estimated here.

^{*2} The reduction in European greenhouse gas emissions is from the 2018 Ten Year Network Development Plan published by the European Network of Transmission System Operators for Electricity (ENTSO-E). The CO₂ reduction estimate is the average assessment of the 2030 EUCO core policy scenario by the European Commission. The assessment is available on ENTSO-E's web page: <https://tynp.entsoe.eu/tynp2018/projects/projects/110>



Investments financed with Green Bonds

SMESTAD – SOGN

Increasing the capacity in the Oslo main grid by new substation and cables.

Statnett is building cable interconnectors in a tunnel between Smestad and Sogn in Oslo including a 420-kilovolt substation at Smestad. The new cables and substation will replace the current two cables and substation, in order to increase capacity. This is necessary to provide a better supply of electricity to the residents in Oslo.

The city of Oslo's target is to reduce emissions by 95 per cent by 2030 and to be carbon neutral by 2050. One of the measures to achieve these ambitious targets is promoting zero emission transport and emission free construction work. The city is dependent on a strong electricity supply in order to implement the measures. Statnett's project will support Oslo's targets and have an indirect effect on emission reduction.

Facts about the project:

- **Location: Oslo**
- **Length of cables: 4,5 km**
- **Voltage level: 300/420 kV**
- **Expected completion: 2022**
- **Expected costs: NOK 1250-1390 mill**
- **Capacity cables: 2*1250 MW**
- **Green framework category:
Enabling efficient use of clean energy**

The construction work is fossil free. Light duty vehicles and tunnel machinery used electricity. Trucks and heavy machinery used renewable diesel without palm oil. These measures have reduced emissions from the construction by 2750 tonnes of CO₂, which is around 90 per cent of the estimated emissions. This was the first time in Norway a tunnel was built without using fossil fuel.

By building a tunnel the project has less environmental impact on biodiversity and land use compared to a trench, which would be the alternative to a tunnel.

Fossil free and emission free construction sites is one of Statnett's measures to achieve a 50 per cent emission reduction by 2030. The target includes emission from our own activities and from the suppliers.



NORTH SEA LINK

Linking the British and Nordic power markets by the world's longest subsea interconnector.

Statnett is building a new subsea interconnector between Norway and England with the British energy company National Grid. The North Sea Link (NSL) will provide benefits on both sides of the cable, such as increased security of electricity supply and connecting a low emission power sector.

The project is owned 50 per cent by Statnett and 50 per cent by National Grid.

Facts about the project:

- **Length: 720 km**
- **Voltage: 525 kV**
- **Capacity: 1400 MW**
- **Location: Between Kvilldal in Norway and Blyth in the UK**
- **Expected completion: 2021**
- **Statnett's expected costs: EUR 0,75-1 billion**
- **Green framework category: Increasing the market for renewable energy**

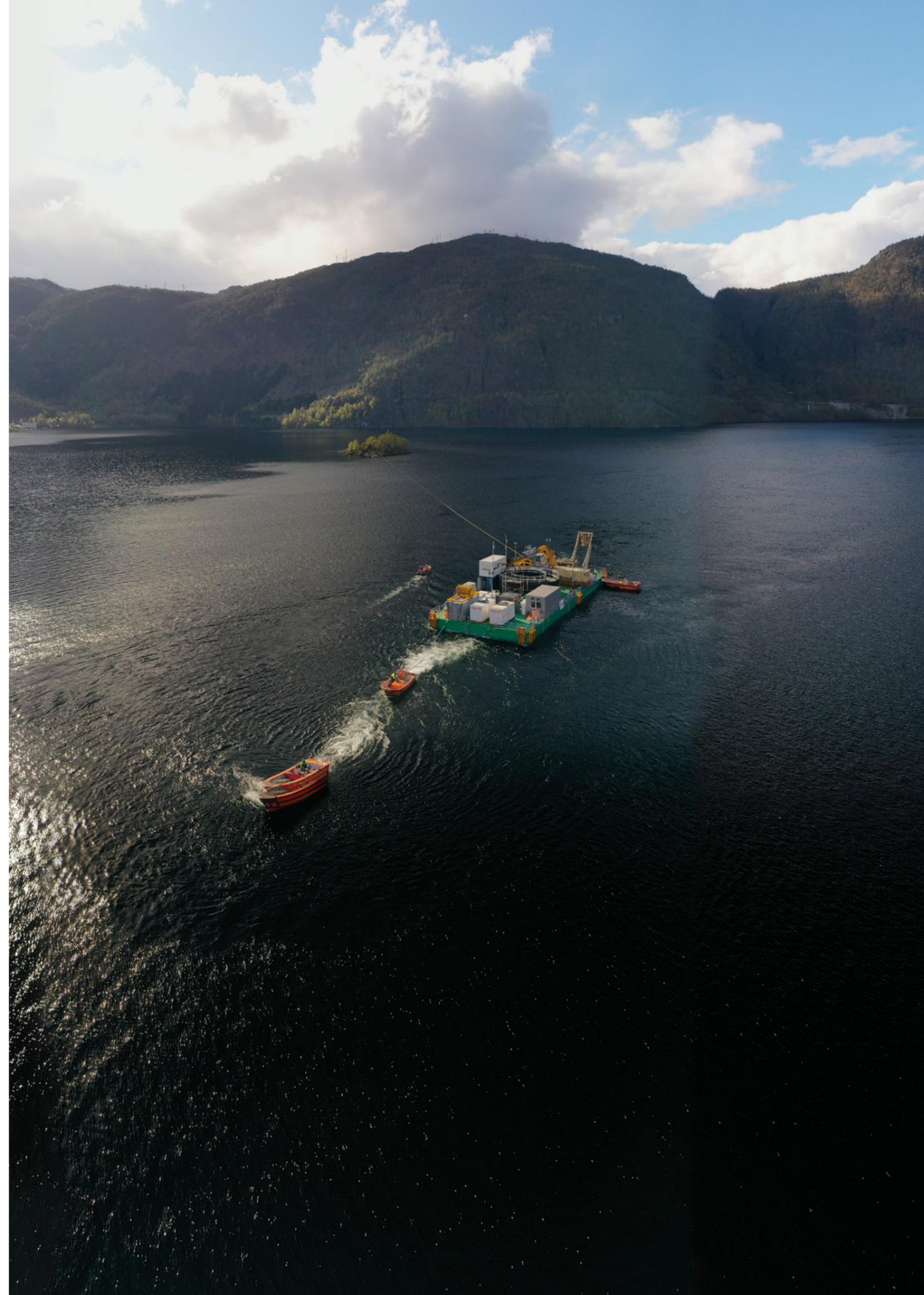
When the winds blow in the UK and wind power production is high, Norway will be able to import and conserve the water in Norway's many hydropower reservoirs. When there is little wind and a greater need for power in the UK, the situation will be the other way around. UK then can import Norwegian hydropower and ensure its power supply.

The advantages of this exchange of green energy include:

- **Increased security of supply because one can import more electricity at a lower price when the power situation is tight**
- **Increased market for power producers when there is a surplus of power in the national market**
- **Facilitation of higher production and consumption of renewable energy in Norway and the UK, thereby contributing to future climate-friendly energy**
- **More predictable supply situation and price throughout the year and from year to year**



North Sea Link.
The world's longest subsea interconnector.





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To the Group Management of Statnett SF

LIMITED ASSURANCE REPORT FROM THE INDEPENDENT AUDITOR

Scope of engagement

Deloitte AS ("Deloitte") has been engaged by the Group Management of Statnett SF ("Statnett"), to provide a limited assurance statement in relation to information set out in the table "Green Financed Projects" in the report "Green Bond Investor Letter and Impact Report" as of 31 December 2020 ("Investor Letter"). The reporting criteria against which it was assessed are described in section 6 "External Review" included in the Statnett Green Bond Framework. The scope of our work was limited to conclude whether as of 31 December 2020:

- the Green Bonds net proceeds have been allocated to the Eligible Projects as communicated in the table "Green Financed Projects" column "Financed" in the Investor Letter and
- the Eligible Projects comply with the criteria as communicated in Statnett's Green Bond Framework, chapter "2 Use of Proceeds".

Responsibilities of the Group Management

The Group Management of Statnett is responsible for:

- ensuring that the Use of Proceeds follows the Statnett Green Bond Framework;
- ensuring that the project evaluation and selection, management of proceeds and reporting described in the Investor Letter are in accordance with the purpose defined within the Statnett's Green Bond Framework and
- establishing appropriate internal controls relevant for the collection, preparation and presentation of the Reporting to ensure that it is free from material misstatements, whether due to fraud or error.

Responsibilities of Deloitte

Our role is to provide a limited assurance statement in relation to the information set out in the table "Green Financed Projects" in the Investor Letter to conclude whether as of 31 December 2020:

- the Green Bonds net proceeds have been allocated to the Eligible Projects as communicated in the table "Green Financed Projects" column "Financed" in the Investor Letter and
- the Eligible Projects comply with the criteria as communicated in Statnett's Green Bond Framework, chapter "2 Use of Proceeds".

Our Assurance does not extend to any other information included in the Investor Letter. We have not reviewed and do not provide any assurance over the other financial information for the individual projects included in the table "Green Financed Projects".

Deloitte will have no responsibility for, nor will have matters to report on

- challenging the eligibility of Applicable Criteria,
- forming an opinion on the effectiveness and performance of the Statnett Green Bond Framework,
- forming an opinion of the Statnett Green Bond Framework alignment to the requirements of the Green Bond Principles nor
- forming an opinion of the use of the funds allocated to Eligible Projects after the funds have been allocated.

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Basis of work

We have conducted our limited assurance engagement in accordance with the International Standard of Assurance Engagement (ISAE) 3000 Revised, Assurance Engagement Other Than Audits or Review of Historic Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Reporting, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Norway. The firm applies ISQC 1 (International Standards on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with the ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Subject to the limitations of our work, nothing has come to our attention that causes us to believe that the Green Bond net proceeds have not been allocated to the Eligible Projects as communicated in the table "Green Financed Projects" in column "Financed" in the Investor Letter and that the Eligible Projects do not comply with criteria as communicated in Statnett's Green Bond Framework, chapter "2 Use of Proceeds".

Oslo, 10 May 2021
Deloitte AS

Gry Kjersti Berget

Gry Kjersti Berget
State Authorised Public Accountant (Norway)