

Statnett

Green Bond
**Investor letter and
impact report**

2021



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 updated its Group strategy in 2021. Sustainability is an important part of our strategic agenda and is defined as one of Statnett's six main goals in the Group's scorecard: Sustainability and safety in everything we do. Statnett has a key role to play in achieving zero emissions in 2050 and will pave the way for electrification and new green value creation. 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



Social mandate



COST-EFFECTIVE TRANSMISSION OF ELECTRICITY



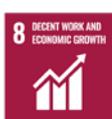
INNOVATIVE DEVELOPMENT AND OPERATION OF THE POWER GRID



Corporate social responsibility



INCREASED DIVERSITY AS REGARDS BACKGROUND, COMPETENCE AND GENDER



ENSURE SAFE AND DECENT WORKING CONDITIONS



HIGH STANDARDS WITH RESPECT TO THE ENVIRONMENT, WORKING CONDITIONS AND ETHICS THROUGHOUT THE VALUE CHAIN



REDUCE GREENHOUSE GAS EMISSIONS AND MANAGE CLIMATE CHANGE



TAKE COMPREHENSIVE ENVIRONMENTAL RESPONSIBILITY AND PRESERVE BIODIVERSITY



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.

Statnett has evaluated green bond financed projects according to EU Taxonomy Compass ^{*1} for the transmission and distribution of electricity sector. We show the outcome of this evaluation for each project category of the reported portfolio of projects. The evaluations include the following technical screening criteria (TSCs): Substantially contribution (SC), Do no significant harm (DNSH) and Minimum Safeguards (MS).

Issue of Green Bonds

In June 2021 Statnett issued 1,35 NOK billion dual tranche Green Bonds in the Norwegian markets with tenors and amounts of respectively 5 years 550 NOK millions and 7 years 800 NOK millions.

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.

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.

*1 https://ec.europa.eu/sustainable-finance-taxonomy/activities/activity_en.htm?reference=4.9



Green Bond Reporting

Green Finance Portfolio

The total Green Portfolio financed is about 4,9 NOK billion, 1,35 NOK billion issued summer 2021.

| Instrument | ISIN | Issue Date | Maturity date | Currency | Amount (millions) |
|------------------------------|--------------|------------|---------------|----------|-------------------|
| Green Bond | NO0011024341 | 15.06.2021 | 15.06.2028 | NOK | 800 |
| Green Bond | NO0011024333 | 15.06.2021 | 15.06.2026 | NOK | 550 |
| Total (in NOKm equiv) | | | | | 1 350 |

Green Finance Portfolio divided in project categories

EU Taxonomi *1

| | | 2021 | SC | DNSH | MS | Alignment |
|------------------------------|---|--------------|----|------|----|-----------|
| New project | Connecting renewable energy | - | - | - | - | - |
| | Efficient use of clean energy | 1 051 | ✓ | ✓ | ✓ | 100% |
| | Increasing marked share of renewable energy | 299 | ✓ | ✓ | ✓ | 100% |
| Sum New project | | 1 350 | | | | |
| Reinvested projects | Connecting renewable energy | - | | | | |
| | Efficient use of clean energy | - | | | | |
| | Increasing marked share of renewable energy | - | | | | |
| Sum Reinvested projects | | - | | | | |
| Total (in NOKm equiv) | | 1 350 | | | | |

*1 The applicable EU Taxonomy technical screening criteria (TSC) are assessed by tick-box, if align, for make a substantially contribution (SC), do no significant harm (DNSH) and Minimum Safeguards (MS), see Appendix.

Green Financed Projects

| Project | Accumulated financed as of Dec 2021 (NOKm) | Accumulated investments as of Dec 2021 (NOKm) | Remaining financed to be allocated to next year | Impact assessment |
|----------------|--|---|---|---|
| Smestad - Sogn | 1 546 | 1 758 | - | Capacity: 2500MW *1 |
| NSL | 3 372 | 7 454 | - | 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://tyndp.entsoe.eu/tyndp2018/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: 1 530-1 570 NOKm**
- **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 has built 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**
- **Completed: 2021**
- **Statnett's expected costs: 0,75-0,85 EURb**
- **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

19. May 2022

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 2021 ("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 2021:

- the Green Bonds net proceeds have been allocated to the Eligible Projects as communicated in the table "Green Financed Projects" column "Accumulated financed as of Dec 2021 (NOKm)" 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 2021:

- the Green Bonds net proceeds have been allocated to the Eligible Projects as communicated in the table "Green Financed Projects" column "Accumulated financed as of Dec 2021 (NOKm)" 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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Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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 "Accumulated financed as of Dec 2021 (NOKm)" 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".

Med vennlig hilsen
Deloitte AS

Guro Magnetun Heimvik
Authorized Public Accountant

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Appendix:

Technical screening -

EU Taxonomy Compass for Transmission and distribution of electricity Statnett Green Bonds 2021

1: Contribution to climate mitigation

- a. the system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems;

| | Substantial contribution criteria | Do not significantly ham criteria |
|-----------------|-----------------------------------|-----------------------------------|
| Smedstad - Sogn | ✓ | ✓ |
| NSL | ✓ | ✓ |

2. Contributing to climate adaption

The infrastructure is not dedicated to creating a direct connection or expanding an existing direct connection to a power production plant where the direct greenhouse gas emissions exceed 270 g CO₂e/kWh.

Climate adaption: The activity complies with the criteria set out in [Appendix A \(https://ec.europa.eu/sustainable-finance-taxonomy/documents/CCM%20Appendix%20A.pdf\)](https://ec.europa.eu/sustainable-finance-taxonomy/documents/CCM%20Appendix%20A.pdf) to this Annex.

Circular economy: A waste management plan is in place and ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.

Pollution prevention: Overground high voltage lines:

- a. for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines.
- b. activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP).

Activities do not use PCBs polychlorinated biphenyls.

Biodiversity: An Environmental Impact Assessment (EIA) or screening³³³ has been completed in accordance with Directive 2011/92/EU³³⁴. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment³³⁵, where applicable, has been conducted and based on its conclusions the necessary mitigation measures³³⁶ are implemented.

| | Substantial contribution criteria | Do not significantly ham criteria |
|-----------------|-------------------------------------|-------------------------------------|
| Smedstad - Sogn | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| NSL | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

3. Minimum safeguards:

1. The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
2. When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of 'do no significant harm' referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.

| | Minimum safeguards |
|-----------------|-------------------------------------|
| Smedstad - Sogn | <input checked="" type="checkbox"/> |
| NSL | <input checked="" type="checkbox"/> |