



# Green Financing Framework



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## ABOUT TENSIO

Tensio was established June 14, 2019. Tensio consist of a holding company, Tensio AS and two subsidiaries Tensio TN AS (former NTE Nett AS) and Tensio TS AS (former TrønderEnergi Nett AS). Tensio is owned by TrønderEnergi AS (40%), Nord-Trøndelag Elektrisitetsverk AS (40%) and KLP (20%). The group has their main office in Stjørdal while he two subsidiaries have their main offices in Trondheim and Steinkjer.

Tensio's grid includes 29 000 km power lines, 100 transformer stations and 13 000 grid stations. 260 000 customers are connected to the grid. This makes Tensio Norway's second largest distribution company. Tensio currently employs approximately 560 people. In 2020 Tensio supplied 7,4 TWh of renewable energy to our customers.

## SUSTAINABILITY AT TENSIO

Sustainability is an integrated part of what Tensio do every day. Tensio's core operations are to ensure access to and distribution of renewable energy in the Trøndelag region, where the company is based. The renewable energy currently being transported in our grid consists of approximately 60% hydro power and 40% wind energy. This energy mix averages emissions of about 5-20g CO<sub>2</sub>/kWh compared to the European emission factor on 315g CO<sub>2</sub>/kWh<sup>1</sup>, demonstrating the importance of efficient transportation and distribution of the local energy production. The Norwegian government has set ambitious climate goals for 2030 and 2050 where investments into production and transportation of

renewable energy and electrification will be crucial. In order to reach these goals, Tensio will have to make significant investments in strengthening, improving and maintaining the distribution grid.

Access to electricity is fundamental to any modern society and being the owner and operator of the distribution grid comes with great social and environmental responsibilities. The Norwegian government, through Norges vassdrag- og energidirektorat (NVE) and Norwegian Energy Regulatory Authority (RME), regulates close to all of Tensio's operations and are known to have some of the world's highest social and environmental standards. These regulations form the basis of how Tensio operate, however we continuously strive to proactively collaborate with regulators on how to increase efficiency and minimize environmental impact.

## HOW TENSIO WILL CONTRIBUTE TO A SUSTAINABLE FUTURE

Tensio can contribute to a more sustainable future by strengthening, improving and maintaining the distribution grid. Norway has one of the highest shares of renewable energy in the energy mix, however continuing to connect renewable energy and facilitating the increased demand for electricity through electrification is essential in reaching the climate goals set forth in the Paris agreement. Among the projects Tensio currently are working on are "132 kV Åfjord – Eide" and "Nye Vestbyen transformatorstasjon". The first project is initiated because of the increasing demand for electricity in the

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<sup>1</sup> [https://kommuninvest.se/npsi\\_position\\_paper\\_2019/](https://kommuninvest.se/npsi_position_paper_2019/)

municipalities Indre Fosen and Ørland. The transmission line will be 30km long including overhead lines from Åfjord to Eide as well as new or expanded transformer stations at Eide, Bjugn and Åfjord. The project is due to start 2023/2024. The second project is to improve and strengthen the current transformer station to secure stable renewable energy supply for Trondheim. As Trondheim is a densely populated area, Tensio made significant investments beyond the regulations in order to remove the omittance of the gas SF6, a gas 23 500x more potent than CO<sub>2</sub>.

In addition to these projects Tensio contributes to improving the sector through several R&D projects, for example “Sevendorf drones”, “DynKap” and “Sustainable Power Grids”. Both “Sevendorf drones” and “DynKap” are projects exploring how to reduce emissions and negative impacts on the surroundings from necessary monitoring and maintenance of grid while “Sustainable Power Grids” explores how to better report data and knowledge on emissions, recycling and general operations of transmissions grids. The goal in the latter project is to develop a methodology to accurately estimate the CO<sub>2</sub> footprint of 1kWh. Tensio believe investments in such projects are important contributions to achieve national and global climate goals.



## UN Sustainable Developments Goals

There is an increasing expectation from stakeholders that businesses take an active role in tackling the global sustainability challenges. 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. Tensio want to contribute to all 17 SDGs but has a specific focus on four SDGs in this framework. These are highlighted in the below.



## Framework Structure

As part of Tensio's continued commitment to sustainability, a Green Finance Framework (the "Framework") has been developed. 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 Tensio's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develops. Therefore, Tensio Green Finance Framework may be amended and/or updated to reflect the changes in market practice or the company's overall sustainability focus.

### Exclusions

Green Bonds and Loans net proceeds will not be allocated to projects for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.



## Green Financing Framework

The international Capital Markets Association (ICMA) Green Bond Principles (GBP) 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 Tensio's 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 Tensio in the capital market, the company may have Green Loans provided by lending institutions. The same criteria for Eligible Assets specified in the Green Finance Framework applies for Green Loans. Green Loans taken by Tensio may be provided by lending institutions that finance these by issuing Green Bonds. Tensio will report the aggregate amount of Green Loans taken and specify each Eligible Asset 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 or Loans issued by Tensio will be used to finance or re-finance Eligible Projects that have been evaluated and selected by Tensio 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 Tensio can spend Green Use of Proceeds under this framework. These projects will be defined as “Eligible Projects”.

Categories	Eligible Projects	UN SDG's
<b>Energy Efficiency</b>	Construction, reconstruction and upgrading of transmission and distribution networks to connect new renewable energy to the grid and support electrification of transportation and economic activities	 7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all
	Upgrading of transmission and distribution networks to decrease losses and/or enhance transmission capacity for renewable energy.	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
	Development and construction of energy storage, energy recovery and smart grids.	 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



## 2. Selection and Evaluation of eligible projects

Tensio will establish 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 Business Control. The sustainability function will have 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 Assets 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.

## 3. Management of proceeds

Tensio will establish a Green Financing Register with the purpose to monitor Eligible Projects financed by the Green Bonds and Loans issued by Tensio 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 Tensio 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 Tensio liquidity management policy and managed as such. The Green Financing Register will form the basis for the impact reporting.



## 4. Reporting

To enable investors to follow the development and to provide insight to prioritized areas Tensio will provide a Green Financing Investor Report on an annual basis. Tensio 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 Assets 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 Assets financed under this Framework, based on Tensio financing share of each project. As Tensio can finance large and small Eligible Assets 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. The impact assessment will, if applicable, be

based on the Key Performance Indicators (KPIs) presented in the table below.

<b>GBP Categories</b>	<b>Examples of impact indicators</b>
<b>Energy Efficiency</b>	Capacity expansions in connecting new renewable energy to the grid (GWh).  A list of projects financed and a qualitative explanation as to why they are sustainable and how they contribute. Including geographical location.

## 5. External Review

### Second party opinion (pre-issuance)

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

### Third-Party Review (post-issuance)

Tensio will appoint 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 Tensio's Green Financing Framework.

### Publicly Available Documents

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