



NORDKRAFT

Green Finance Framework

May 2024

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This is Nordkraft

Nordkraft's business model is development, production and distribution of renewable energy, which we have been doing since 1910.

Our main market area is the northern Hålogaland area (Vesterålen, Ofoten and Sør-Troms), with the head office located in Narvik.

We employ around 270 people, whom have their workplace spread around the whole region.

Annual power production is around 2,4 TWh of which 1,1 TWh is produced from facilities we own ourselves. We have about 52.000 customers connected to our power distribution.

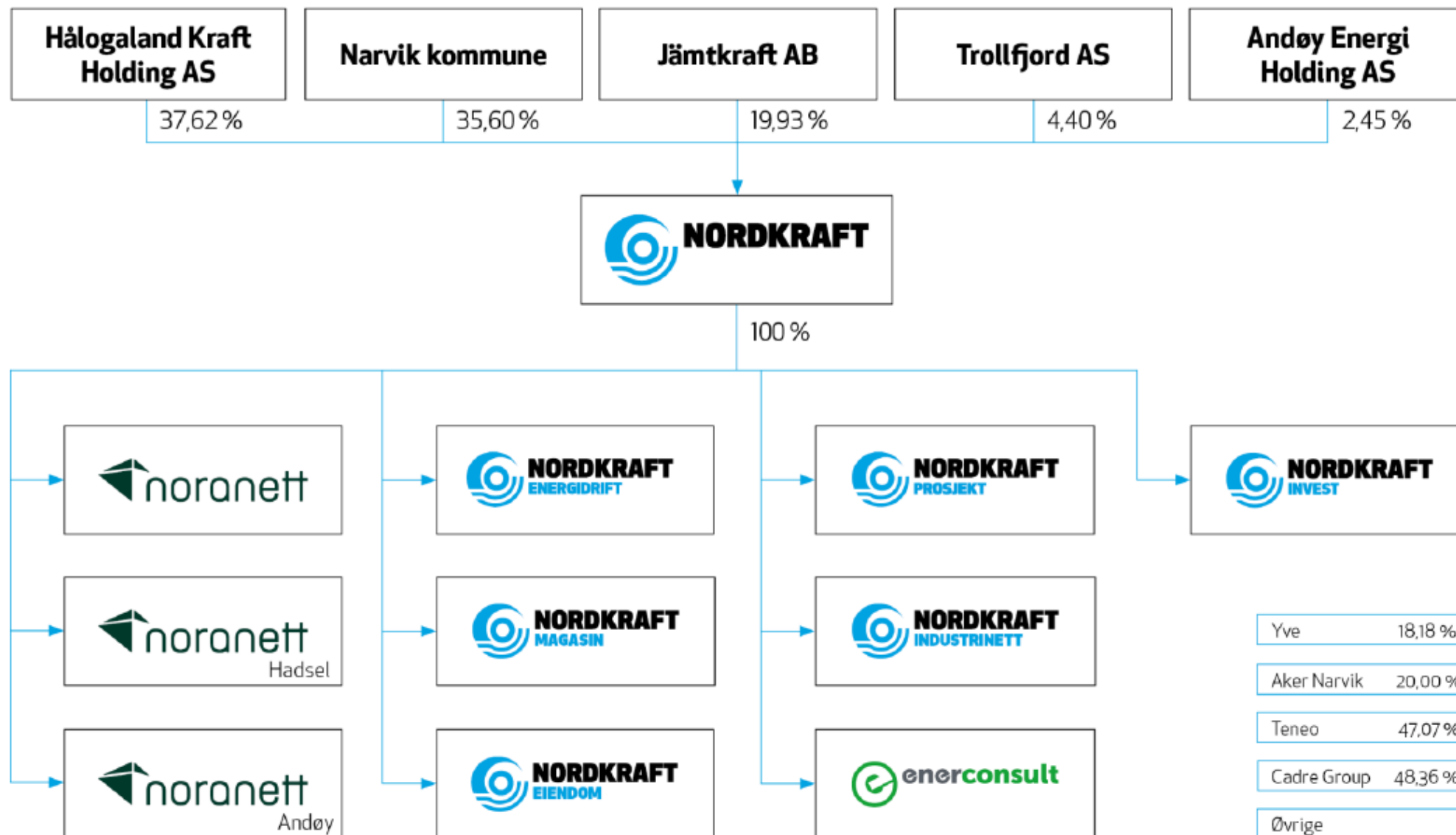
With our business development and innovation projects we aim to create new activities which benefits our region.



Nordkraft's core business is capital intensive, and the electrification of society requires considerable capital investments in infrastructure going forward. We also generate additional income through third-party development and operatorship of wind power and small hydropower plants.

Nordkraft's owners are municipalities in the region, where the three largest owners represent more than 90%:

- 37.6% is owned by Hålogaland Kraft Holding (which is owned by the municipalities of Harstad, Tjeldsund, Gratangen, Ibestad, Kvæfjord and Gratangen);
- 35.6% is owned by the municipality of Narvik; and
- 19.9% is owned by Jämtkraft AB (which is owned by three Swedish municipalities)



Energy Operation

This business area comprises the group's power plant operation, which includes facility management, maintenance services and daily operation for 70 power plants, both hydropower and wind. We operate plants owned by ourselves and on behalf of other owners. The business focuses on the efficient operation of power plants within water storage in dams, small-sized hydropower plants and wind farms in Norway on behalf both Norwegian and international facility owners.

Nordkraft operates the not owned power plants "as if they were our own", i.e. making assessments in relation to operation and maintenance with a view to the long term and the greatest possible lifetime profit for the owner. Equal treatment is achieved through incentive mechanisms whereby Nordkraft is rewarded for maximum production, maximum availability and optimization of operations. The power plants vary in both size and location, ranging from 0.4 MW to 100 MW and are located all over Norway from Lindesnes (Agder) to Lyngen (Troms).

Power Distribution

Power distribution consists of monopoly activities related to the ownership and operation of its own power distribution grid through Noranett AS, Noranett Hadsel and Noranett Andøy (further described as Noranett). The role of Noranett involves ensuring a safe power supply to our customers without interruptions or other quality deviations. A reliable grid with sufficient capacity is crucial in ensuring the green transition within the region, and in the coming years, the green transition of the society will imply new and even higher demands on efficient and smart investments.

Noranett aims to keep the transmission fee at a low and stable level. However, high investment requirements in the forthcoming ten-year period will lead to increased fee levels in the future. Several investments have recently been made to upgrade the distribution network, charging equipment at ferry quays, and in substations. In the coming years, the development of Hålogalandsveien will require significant investment. In 2023 and 2024 a new transformer will be built at Lødingen to facilitate charging of electric ferries.

To accommodate the green transition while keeping the grid fees as low as possible for our local communities, we have established the company Nordkraft Industrinett. The purpose of Nordkraft Industrinett is to accommodate the new industries and their grid connection needs while keeping the substantial investments required outside of Noranett, thereby sparing the local communities an increase in their grid fees. Nordkraft Industrinett is thus a grid company not partaking in monopoly activities.

Project Development

Nordkraft's ambition is to play a vital role in the green transition in the northern part of Norway and this is expected to trigger increased activity for Nordkraft in the years to come. Specifically, projects related to the establishment of power-intensive industry in Ballangen and Kvandal will entail significant investments for grid companies. A large surplus of renewable energy in our region entails a competitive advantage with regards to attracting power-intensive industries. Together with strategic industrial partners, Nordkraft's expertise in power generation can create opportunities in electrification and digitalization. Nordkraft collaborates with Aker Horizons through our joint venture company Aker Narvik to prepare land and technical infrastructure in Kvandal for the establishment of new, power-intensive industry.

Nordkraft's project department has significant expertise related to the development and construction of hydro and wind power plants, as well as managing upgrades and major maintenance activities of our owned power plants. In addition to constructing new hydropower on behalf of Cadre, we also develop onshore wind in Norway in collaboration with Fortum through a joint venture company, Fortum Nordkraft Vind DA (FNV).

Business development

Nordkraft's overall strategy is growth that contributes to the green transition. We have high ambitions and aim to achieve success through growth within our existing business areas and in new areas with other partners. The green transition in Norway is in an early phase which offers several new opportunities.

Green growth and new industry

For several years, Nordkraft has worked to facilitate the establishment of new, green industry at suitable sites with good access to power. Our strategic targets for green growth towards 2030 are:



Business development is mostly taking place within our own value chain. At the end of 2022, Nordkraft embarked on a major investment plan related to the development and operation of small hydropower plants together with our partner HitecVision through the joint venture company Cadre. In addition, the previously mentioned collaboration agreement with Fortum enables us to achieve our goal of increasing the development of and operatorship in wind power.

Electrification and energy efficiency

The overarching ambition is to electrify the whole of society and much of this will happen towards 2030. This implies significant power grid development in order to renew and strengthen electricity transmission to facilitate new industrial activities supporting the green transition. In total, Nordkraft will invest between NOK 3.5-5 billion towards 2030. As an example, we will invest in increased capacity for charging of electrical ferries and land-based transportation means. Through our ownership in Plug Nord, Nordkraft collaborates with both the Eviny group and the power companies within the Lofoten and Vesterålen region to build charging facilities at ports in our region.

Our subsidiary Enerconsult offers general energy consultancy with a focus on energy efficiency, energy conversion and the environmental consequences of energy use.

Partnerships

In addition to the partnerships with Aker Horizons, Fortum, HitecVision, Eviny and the local power companies we also participate in the broader business development activities in our region, as a member or partner in business associations and business development companies (joint ventures).

To attract future talent, both for us and the region, Nordkraft contributes in networks to strengthen the technology community, particularly together with UiT (Norges Arktiske Universitet) in Narvik and Harstad, NTNU in Trondheim, SINTEF Narvik and several development companies. We have increased and developed our internship programs to accommodate students from different fields and locations, trainee positions have been added and our apprentice program helps us meet the demand for technicians with trade school backgrounds.

Sustainability at Nordkraft

Nordkraft's aim is for the group's operations to be run in a sustainable and ethically responsible manner. Renewable - "green" - power is the backbone of Nordkraft, but we can no longer be satisfied with just saying that the electricity produced is green. We must be able to demonstrate the impact our operations have on both the environment and society. For Nordkraft, sustainability is about the choices we make in everyday life, both creating long-term value for the group and taking proper account of the outside world. We therefore aim to make Nordkraft's basic attitude on sustainability visible through the group strategy, the Transparency Act and sustainability reporting.



Human rights, employee rights, the external environment and anti-corruption are important to ensure (sustainability goal 8). Ethical and environmental requirements are therefore set for both suppliers and our own business.



Nordkraft also contributes to several of the UN's 17 sustainability goals and works to manage our mandate in a responsible manner. The most relevant sustainability goals for our business are: Clean energy for all (7), Innovation and infrastructure (9), Responsible consumption and production (12) and Climate action (13).

Our role in society

Our main mission is to ensure safe and reliable production and distribution of renewable energy. National authorities have defined it as a socially critical function. Our role in society is based on what has been built up over several years, and we will continue to develop from that with changes in society. For generations, society's mission has been to turn water, and later also wind, into electricity for a safe and stable supply to the region's households, businesses and the public sector.

Norway is facing a unique phase that the renewable industry has not seen before. The whole of society will be electrified in the green transition - in close cooperation with other industries. The power production surplus in Northern Norway and the green transition have led to Nordkraft investing in a new business area for new green industry in partnership with other players. The goal is to bring the industry to the energy instead of exporting the raw material that is green electricity out of the region. By doing this, we can contribute to sustainable communities based around green jobs.

Nordkraft has a social responsibility that extends beyond what is imposed on us. The investment in the “industry going to the energy” is an example of that. We are of and for our region and want to contribute to positive growth, development and excitement in the city and countryside. This includes to further develop a community with high-level competence, create exciting and long-term career opportunities for future generations and make it easier to attract new talent to the region. We therefore also collaborate with schools and educational institutions. Since most of the municipalities in our region are owners of Nordkraft, the annual dividend they receive from us has further positive effects for the local communities’ financial position.

“Nordkraft shall be a positive driving force for the region in which we live.”

Sustainable business practices

Our activities connected to the development, operation and maintenance of hydropower, wind power and distribution network operations have direct impacts on the external environment. The operating licenses for these activities contain strict conditions related to environmental impact.

Nordkraft’s own policy for sustainable operations sets out principles for how economic, social and environmental factors shall be considered. The overarching principle is that sustainability shall be an integral part of Nordkraft’s strategy and addressed and considered in connection with any business-related decision made. In close cooperation with our owners, partners, suppliers, customers and employees, Nordkraft shall actively contribute to a sustainable society through production and distribution of renewable energy.

Environmental operation

Energy production in Norway is in general strictly regulated. In Europe, the Water Framework Directive has since 2000 been the main law for water protection, and through the EEA agreement it was incorporated into Norwegian law in 2007 through acts such as *Water Resource Act* (Norw.: “Vannressursloven”¹), the *Energy Act* (Norw.: “Energiloven”²), the *Building Act* (Norw.: “Plan- og Bygningsloven”³) and the *Biological Diversity Act* (Norw.: “Naturmangfoldsloven”⁴).

¹ [Lov om vassdrag og grunnvann \(vannressursloven\) - Lovdata](#)

² [Lov om produksjon, omforming, overføring, omsetning, fordeling og bruk av energi m.m. \(energiloven\) - Lovdata](#)

³ [Lov om planlegging og byggesaksbehandling \(plan- og bygningsloven\) - Lovdata](#)

⁴ [Lov om forvaltning av naturens mangfold \(naturmangfoldloven\) - Lovdata](#) & [Forskrift om konsekvensutredninger - Lovdata](#)

The Norwegian Water Resources and Energy Directorate (“NVE”) is responsible for the management of Norway’s water and energy sources subject to a license. NVE aims to ensure an integrated and environmentally sound management of the water systems, promote efficient energy markets and cost-effective energy systems. NVE also has the overall responsibility for maintaining national power supplies and to reduce the risk of damages associated with landslides and flooding.

Except for micro-plants, power production plants cannot be built in Norway without receiving a license to operate. NVE’s administrative responsibility includes the entire application process, from notifications and applications to follow-up during construction and supervision after the power plant has been put into operation. NVE ensures that processing of license applications is carried out in accordance with legislation. All applications for the construction of power plants must contain a survey of biological diversity to comply with the Biological Diversity Act. NVE has made a guidance document for mapping, assessing and documenting biological diversity to be used for all applications connected to small power plants.⁵

We aim to minimize our direct environmental footprint and impact connected to the planning, construction and operation of our assets. We will achieve this by utilizing our resources in an optimal way and minimize negative environmental impacts and will require our partners and suppliers to adopt to Nordkraft’s standard and provide environmentally friendly solutions. We appreciate the good and close dialogue with the authorities to secure the most appropriate solutions.

Suppliers and procurement

Nordkraft’s procurement policy specifies the objectives and requirements related to purchasing products and services in order to ensure consistency, cost efficiency and high ethical standard. Nordkraft’s suppliers are selected based on several factors, such as quality, price and ability to deliver (capacity and experience), but also their sustainable production and operation practices and ethical standards in line with requirements required by the Transparency Act – see below.

Under Norwegian law, Noranett is required to follow the *Act on Public Procurement* (Norw.: “Lov om offentlige anskaffelser”⁶), which requires procurement practices that contribute to reduce negative environmental impact and promote climate-friendly solutions. Furthermore, the act requires public owned entities to ensure suitable routines to promote respect for basic human rights in connection with procurements.

⁵ [Notat \(nve.no\)](#)

⁶ [Lov om offentlige anskaffelser \(anskaffelsesloven\) - - Lovdata](#)

Social safeguarding

The *Transparency Act* (Norw.: “Åpenhetsloven”⁷), which came into force in July 2022, imposes larger businesses domiciled in Norway to carry out due diligence assessments in line with the OECD's guidelines for multinational companies. The due diligence assessments involve mapping and assessing the actual and potential negative consequences for basic human rights and decent working conditions that the business has either caused or contributed to or, through supply chains or business partners, have linked to their business operations, products or services. Nordkraft is required to publish an annual report on its assessment⁸.

Greenhouse gas emissions reporting and reduction targets

In 2022, Nordkraft commenced mapping emissions from our operation and made preparations of the reporting system to meet the requirements in the EU's taxonomy regulation and CSRD (2025).

For society to reduce GHG emissions, the energy source needs to shift from fossil to renewable electricity. Nordkraft is committed to increase our total electricity production and transmission, while working to reduce emissions related to our operations. Our ambitions and strategic goals require a substantial increase in our total activities, but recognize that there is no business activity or renewable energy production completely free of GHG emissions or impact on nature in some form. However, we will work to minimize the carbon emission intensity of the power we produce and transport, as well as minimize our impact on nature through making conscious and careful choices in every part of our operations.

Our fleet of vehicles is gradually being switched from combustion engines to electric, while our power plants are being fitted with charging stations to minimize travel time for technicians. Projects are developed to minimize the direct impact on nature by challenging the standard requirements for our suppliers, both when it comes to hydropower and wind power. Furthermore, transformer stations are more often built without the use of the highly GHG potent electrical insulator gas SF6⁹, and we have specific cases where the consideration of flora and fauna directly resulted in switching out creosote masts in favour of composite masts.

We are deeply committed to further develop and improve our environmental work and to deliver more renewable electricity to our society, efficiently.

⁷ [Lov om virksomheters åpenhet og arbeid med grunnleggende menneskerettigheter og anstendige arbeidsforhold \(åpenhetsloven\) - Lovdata](#)

⁸ [Åpenhetsloven - Nordkraft](#)

⁹ [SF6: What It Is & Why SF6 Research Matters – SINTEF](#)



Nordkraft and Green Bonds

Sustainable business operation is an integral part of Nordkraft’s business strategy, and this Green Finance Framework (the “**Framework**”) enable us to finance our commitment to the energy transition with Green Bonds and Green Loans (collectively the “**Green Finance Instruments**”).

This Framework is aligned with the ICMA Green Bond Principles¹⁰ (“**ICMA GBP**”) and the LMA/LSTA Green Loan Principles¹¹ (“**LMA GLP**”), which defines the assets and projects that can be financed by Green Finance Instruments. The Framework also outlines the process to evaluate, select, track and report on such investments.

Each Green Finance Instrument issued under this Framework should in their relevant transaction documentation refer to this Green Finance Framework. Nordkraft may over time decide to replace this Framework with a new and updated Framework, but new versions of the Framework shall have no implications for any outstanding Green Finance Instruments issued under this version of the Framework¹².

1. Use of Proceeds

An amount equal to the net proceeds from Green Finance Instruments issued under this Framework will be used to finance a portfolio of assets and projects, in whole or in part, that are environmentally friendly or contribute to the transition towards low-carbon and climate-resilient societal development.

Only such assets and projects that comply with the categories and criteria listed below (“**Green Projects**”) are deemed eligible to be financed by Green Bonds. Net proceeds from Green Finance Instruments can be used for the financing of capital expenditures related to new assets and projects

¹⁰ [Green-Bond-Principles-June-2022-060623.pdf \(icmagroup.org\)](#)

¹¹ [Green_Loan_Principles_23_February_2023.pdf \(lma.eu.com\)](#)

¹² The Green Finance Report as per section 4 below will include all Green Bonds issued under any version of the Green Bond Framework.

which are not yet in operation at the date of the issuance of a Green Finance Instrument, and/or for refinancing of existing Green Projects, as well as existing debt instruments financing Green Projects.

Green Finance Instruments can also finance and/or refinance acquisitions of Green Projects or investments in share capital of companies and partnerships,¹³ where at least 90% of such companies' revenues can be attributed to a Green Project¹⁴.

Green Finance Instruments issued under this Framework may also finance and/or refinance operating expenditures related to a Green Project, subject to a look-back period of maximum three years.

For the avoidance of doubt, Green Finance Instruments will not be used to finance investments linked to fossil energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco.

To follow best market practice and adhere to relevant standards and guidelines in the green finance market, each Green Project has been mapped against the different categories of the ICMA GBP and LMA GLP, ICMA's mapping of Green Projects to the GBP Environmental Objectives¹⁵ as well as the relevant activity in the EU Taxonomy related to the environmental objective "Climate change mitigation"¹⁶.

¹³ If Nordkraft is not the majority shareholder in such companies and partnerships, Nordkraft will exercise its influence through representation in the Board of Directors.

¹⁴ If ceasing to meet this threshold it will be replaced by another qualifying Green Project according to "3. Management of proceeds".

¹⁵ [Green-Project-Mapping-June-2021-100621.pdf \(icmagroup.org\)](#)

¹⁶ EU Taxonomy is a classification system for environmentally sustainable economic activities, where such activity should meet the following criteria: 1) substantial contribution to at least one of the six environmental objectives, 2) do no significant harm to any other environmental objective and 3) meet minimum social safeguards.

Green Projects

ICMA GBPs Category	ICMA environmental objective	Green Project criteria	Relevant EU Taxonomy activity for “Climate change mitigation”
Renewable energy	Climate change mitigation Climate change adaptation	<ul style="list-style-type: none"> Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of facilities connected to the generation of electricity from: <ul style="list-style-type: none"> Hydropower projects¹⁷, including fortification of hydropower facilities and dams to ensure the ability to withstand higher levels of precipitation and improve the ability to prevent river flooding. Investments and expenditure related to development, construction, installation, operation, improvement, repair and maintenance of power distribution networks¹⁸. 	Electricity generation from hydropower Transmission and distribution of electricity

¹⁷ Hydropower is subject to a power density above 5W/m² or life-cycle emissions below 100 g CO₂e/kWh, or run-of-river plants without artificial reservoirs.

¹⁸ The system is connected to the Norwegian and/or European power distribution system.

2. Process for project evaluation and selection

To ensure the transparency and accountability around the selection of Green Projects, Nordkraft has established an internal Green Finance Committee responsible for the evaluation and selection process. The Green Finance Committee consists of members from the Management, Operations, Finance and Sustainability teams in Nordkraft. Other internal representatives with specific expertise may be invited from time to time when deemed necessary. All decisions will be made in consensus.

Nordkraft has a formal process to approve all large investments. The investment process requires both economical and risk-based assessments. The risk-based assessment divides risks in different categories, including potential environmental and social risks. The relevant risks are evaluated with regards to probability and consequence given the respective investment alternatives.

Nordkraft will only include such assets and projects that comply with the Green Project criteria defined in the Use of Proceeds section of this Framework and which are deemed by the Green Finance Committee to be acceptable from an overall ESG risk perspective, out of the pool of assets and projects eligible to be financed with Green Finance Instruments. The Green Finance Committee holds the right to exclude any Green Project already funded by Green Bonds, which is further described below under Management of Proceeds.

The Green Finance Committee will keep a register of all Green Projects and, to ensure traceability, all decisions made by the committee will be documented and filed.

The Green Finance Committee is responsible for the oversight of this Framework and defining the Green Project criteria included herein and is also responsible to assess if an update of this Framework is deemed to be required.

3. Management of Proceeds

An amount equal to the net proceeds from issued Green Finance Instruments will be earmarked for financing and refinancing of Green Projects.

The Treasury department of Nordkraft will endeavour to ensure that the value of Green Projects always exceeds the total amount of Green Finance Instruments outstanding. Net proceeds from Green Finance Instruments awaiting allocation to Green Projects will be held as cash or in short-term money-market funds for which, if practically possible, the exclusions listed in the Use of Proceeds section above will apply.

If a Green Project already funded by Green Finance Instruments is sold or for other reasons loses its eligibility by not meeting the criteria in this Framework, it will be replaced by another qualifying Green Project as soon as practically possible.

4. Reporting

To enable investors and other stakeholders to follow the development of the Green Projects funded by Green Finance Instruments, a Green Finance Report will be made available on our website. The Green Finance Report will include an Allocation Report and an Impact Report and will be published annually¹⁹ as long as there are Green Finance Instruments outstanding or until full allocation.

Allocation Report

The allocation report will include the following information.

- Amounts invested in each of the Green Project categories defined in this Framework and the share of new financing versus refinancing.
- The share of capex vs. opex.
- Examples of Green Projects that have been funded by Green Finance Instruments.
- The nominal amount of Green Finance Instruments outstanding and the amount of net proceeds awaiting allocation to Green Projects (if any).

¹⁹ If not earlier, the Green Finance Report will be published in connection with publishing our Annual Report.

Impact Report

The impact report aims to disclose the environmental impact of the Green Projects financed under this Framework. Impact reporting will be aligned with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting” (June 2023) where impact will be aggregated for each project category and, depending on data availability, calculations will be made on a best effort basis with transparency of the assumptions being applied.

For projects under construction, calculations may be based on preliminary estimates. The impact assessment will, where applicable, be based on the metrics listed below:

- Installed capacity from hydropower and wind (MW).
- Actual annual energy generation from hydropower and wind power (GWh).
- Estimated annual reduction and/or avoidance of GHG emissions (tonnes of CO₂e)²⁰.
- Actual annual additional number of fortified dam and flood prevention projects commenced.
- Actual annual upgraded and new distribution lines (km) and upgraded and new transformers (number and capacity).

²⁰ Baseline grid factor will be based on recommendation set out in Nordic Position Paper for Green Bonds Impact Reporting ([NPSI Position paper 2020_final.pdf \(kuntarahoytus.fi\)](#))

External Review

Second-Party Opinion

Nordkraft has obtained a Second-Party Opinion (the “**SPO**”) from S&P Global Ratings to confirm the transparency of this Green Finance Framework and its alignment with the ICMA Green Bond Principles.

The SPO will be made available on our website together with this Framework.

Post-issuance verification

An independent auditor appointed by Nordkraft will provide a limited assurance report confirming that an amount equal to the net proceeds from issued Green Bonds has been allocated to Green Projects as defined in this Framework.

This report will be made available on our website.