

# Green Bond Framework

June 2022



HELGELAND  
**KRAFT**



# CONTENT

- Helgeland Kraft at a glance .....3
- Strategic platform .....4
- Hydropower production .....5
- Electricity distribution networks .....7
- Electricity sales .....8
- Sustainability at Helgeland Kraft.....9
- Corporate Objectives for Sustainability and Social Responsibility .....10
- Sustainability Governance Policy Document .....11
- Sustainability in our business activities .....11
- Helgeland Kraft and Green Bonds .....12
- 1. Use of Proceeds .....12
- Alignment with Relevant Standards and Guidelines .....13
- Green Projects .....14
- 2. Process for evaluation and selection .....15
- 3. Management of proceeds .....16
- 4. Reporting .....17
- Allocation Report .....17
- Impact Report .....17
- External Verification .....18
- Second-Party Opinion .....18
- Post-issuance verification .....18

# HELGELAND KRAFT AT A GLANCE

Helgeland Kraft is a producer of renewable energy and develops power grids for the Helgeland region in the northern part of Norway. We offer electricity for sale to households and businesses throughout Norway.

For almost 100 years, hydropower has been the Helgeland region's greatest competitive advantage and an important premise for the establishment of large-scale industry.

Helgeland Kraft is owned by 14 local municipalities. In 2018 Helgeland Kraft was divided into three business areas and transformed into wholly owned subsidiaries: Helgeland Kraft Vannkraft AS (hydropower production), Linea AS (electricity distribution networks) and Helgeland Kraft Strøm AS (electricity sales).



The parent company Helgeland Kraft AS has investments in affiliated companies, where the majority of the investments are long-term and related to the core, wholly owned business. One of the investments are a 40% stake in Mo Fjernvarme AS, which has operated highly profitably through many years. Furthermore, the company has a 26.8% ownership position in Fiber Norway AS, however its activity level has so far been relatively low.



# OUR STRATEGIC PLATFORM

## Vision – “be an active value creator”

The vision is intended to guide us to run a sustainable business in relation to the climate and environment, social and societal matters and economic development.

## Mission

We create value for customers, owners and society through sustainable development and operation of our core business in renewable production, distribution and sale of power, as well as other activity with strong attachment

## Values

The standard we set for ourselves and that governs our behavior shall be reflected by our core values:

- **Reliable**
- **Engaged**
- **Innovative**
- **Available**

## Corporate social responsibility

We are aware of our social responsibility for the Helgeland region. We shall act in accordance with basic ethical values and with respect for society, the environment and employees. Social responsibility must be an integrated and natural part of our value creation - both in the operation on a daily basis and in relation to the long-term development.

## Financial targets

The earnings shall give our owners a competitive return, with a solid long-term asset management and form the basis for high trust among our employees, owners and lenders.

## Strategic development

We will develop an organization with high competence where the employees represent the big difference. We have defined 4 strategic focus areas:



# OUR BUSINESS AREAS

## Hydropower production

Helgeland Kraft Vannkraft AS' business is to build, own and operate facilities for the production of hydropower in the Helgeland region and business directly related to this. It owns a total of 18 power plants throughout Helgeland with a total production capacity of approx. 1.3 GWh. is responsible for the development and operation of 16 hydropower plants:

Power facility name	Capacity (MW)	Avr. annual prod. (GWh)	2021 annual prod. (GWh)
Kolsvik (share 50%)	64	313	291
Sjona	51	238	250
Grytåga	48	250	185
Fagervollan	21	65	63
Kaldåga	15	68	68
Langfjord	9	40	39
Ildgrubfossen	6	30	27
Andåsfossen	2	7	7
Forsland	7	27	23
Laksen	5	20	17
Svartvatn	2	6	5
Øvre Forsland	9	33	25
Tosdalen	19	40	35
Leiråa	5	27	28
Bjørnstokk	8	25	24
Tverråa	5	17	14
Storelva	8	22	19
Vassenden	10	37	20
<b>Total</b>	<b>294</b>	<b>1265</b>	<b>1140</b>



Furthermore, the company has 50% ownership in the joint venture company SmiSto Kraft AS developing new hydropower plants (see below).

In 2019 both Helgeland Kraft Vannkraft and SKS Produksjon transferred their respective operations centers for hydropower production into the 50/50 owned joint venture Vakinn AS.

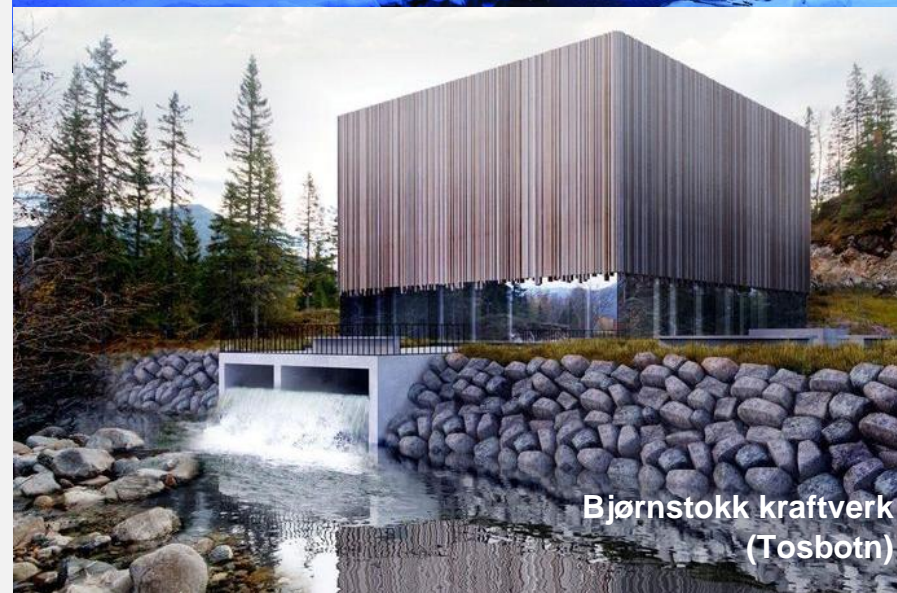
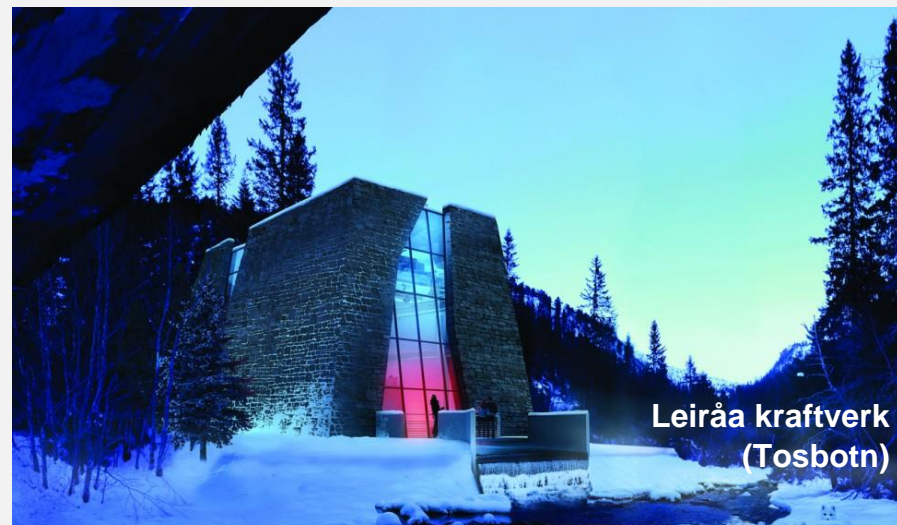
Helgeland Kraft is focused on building facilities that adopt to the nature's surroundings. The new buildings in Tosbotn have a particularly beautiful design and are adapted to nature. For the plant in Øvre Forsland, which was opened in August 2015, the building has received international recognition for its unique architecture.

We are currently constructing two new hydropower plants in Rødøy and Lurøy municipalities in collaboration with SKS - the Smibelg and the Storåvatn hydropower power plants ("SmiSto"). The development consists of two separate power plants, which are being built in parallel. Smibelg and Storåvatn are located on opposite sides of the fjord Gjervalen south of Melfjorden. The power plants will have a total annual power production of about 210 GWh, which corresponds to the energy consumption of about 10,500 households.

The development means that six lakes are regulated mainly by water lowering, which means a gentler encroachment on nature than traditional dams. In addition, the wastewater is transferred from a number of smaller lakes and streams to the power plants.

After several years of strong focus on developing new hydropower capacity, we have recently spent significant time on planning the upgrade of Grytåga Kraftverk, a power plant built 60 years ago and needs upgrading. In the years to come, there will be many plants that will have to undergo similar major upgrades and rehabilitations.

For some of the older plants, it may be possible to extract more renewable energy. The upgrades are important both for our security of supply of electricity, as well as contributing to the success of the green transition.





## Electricity distribution networks

For more than 70 years, Linea AS has managed the electricity grid in Helgeland and through the 8,000 kilometers in distribution network it manages supplied clean electrical energy to customers in cities, valleys and islands. The company's business is to build, own and operate facilities for distribution of electrical energy as well as participate in other companies with natural affiliation. A total of 6.5 TWh of power is distributed to over 46,000 customers throughout Helgeland.

Linea AS is headquartered in Mosjøen and branch offices in Mo i Rana, Sandnessjøen and Brønnøysund. In the fall of 2020, we changed our name from Helgeland Kraft Nett AS to Linea AS following new legal requirements for distribution companies.

Linea AS is a 50% owner of Nettsam AS, a joint venture company together with Arva AS (formerly Nordlandsnett AS), to collaborate on a common operations center, which was put into operation in 2019.

Consumption and production have constantly increased, both due to establishments of new business, increased consumption in households and increased production in the area. Efficient use and utilization of the power grid is important to avoid unnecessary use of resources. As a power distribution company, we take our share of responsibility, and we work both alone and with others to innovate, renew and develop the power grid. Since 2010, Linea AS has carried out extensive renewal and spent several hundred million of Norwegian kroner on improved security of electricity supply.

Norwegian authorities have presented high ambitions for emission reduction targets for Norway. An efficient distribution network is an important element to enable an increased consumption of electricity. It will require us to rethink how we build, maintain and operate the distribution network. As a first step, we have worked to introduce a new philosophy for maintenance, which follows European and Norwegian standards. Our ambition is to by 2025 be among the best in maintenance of distribution lines.



## Electricity sales

Helgeland Kraft Strøm supply renewable electricity to approximately 100,000 customers in Norway and Sweden. In Sweden, we deliver products to our customers through our subsidiary Storuman Energi, an acquisition which enabled us to double our size.

At Helgeland Kraft Strøm, we work to meet new demands from our customers. We have competent and innovative employees who will contribute to the green transition, with innovation, restructuring and development of our services.

We have a high focus on digitization of operations, and in 2020 we therefore carried out a reorganization of the company where we established a separate technical department. We have introduced a new customer information and CRM system and taken over the invoicing service for our customers from Linea, the network company of Helgeland Kraft.

Helgeland Kraft make significant community contributions to different teams, associations and events in the Helgeland region. We do this to create housing and good growth conditions for the inhabitants of Helgeland. We have a special focus on measures that benefit children and young people. In recent years, we have worked closely with our partners, to arrange sustainable events and development on Helgeland.











# SUSTAINABILITY AT HELGELAND KRAFT

Since Helgeland Kraft’s main task is to produce and deliver clean energy to society, our core business will therefore in itself to a large degree be sustainable.

However, the way we exercise our core activity is of great importance to society in a sustainable perspective and has therefore great attention in our business. Global sustainability challenges require common ground efforts from business and government. Helgeland Kraft has therefore set the UN's 17 Sustainability Development Goals and has started work on incorporate the consideration of these clearly in the spring business management.

Helgeland Kraft has selected six of the 17 sustainability goals that they the areas we will focus on separately and which is the basis for working on our goals for sustainability and social responsibility:

UN Sustainability Development Goals		
	<b>7. Affordable and clean energy</b>	<ul style="list-style-type: none"> <li>All Energy Production shall be based on renewable sources</li> <li>The CO2 footprint is important when selecting development solutions</li> </ul>
	<b>8. Decent work and economic growth</b>	<ul style="list-style-type: none"> <li>Our vision for HES is based on zero tolerance related to injuries for own staff and contractors</li> <li>Any form of discriminating behavior is banned, regardless of reason and background</li> </ul>
	<b>9. Industry, innovation, and infrastructure</b>	<ul style="list-style-type: none"> <li>Actively support development of new green projects and industries</li> <li>Contribute to R&amp;D projects which aim to develop an all-electrical society based on renewable energy sources</li> </ul>
	<b>11. Sustainable cities and communities</b>	<ul style="list-style-type: none"> <li>Be active in building “Renewable Helgeland”</li> <li>Contribute to EV charging infrastructure, both for our own use and for the public</li> <li>Participate in projects which are moving businesses closer to apply sustainable solutions</li> </ul>
	<b>12. Responsible consumption and production</b>	<ul style="list-style-type: none"> <li>Our procurement policies shall reflect our sustainability strategy</li> <li>Actively develop our suppliers to take part in achieving our sustainability goals</li> </ul>
	<b>13. Climate action</b>	<ul style="list-style-type: none"> <li>Within 2030 all vehicles to be electrical and charges with renewable sources</li> <li>All acquired products to be lifecycle assessed, and contribute to a circular economy when possible</li> </ul>

# CORPORATE OBJECTIVES FOR SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Helgeland Kraft’s overarching target is to create value for society through producing, transporting and sell electric power in a sustainable way. We have a long-term focus on reduce the risk of negative impact resulting from our business and will seek to choose sustainable solutions for the benefit of our customers, the owners and the society in general.

ENVIRONMENT	SOCIAL	GOVERNANCE
<ul style="list-style-type: none"> <li>• Our operations shall have as little negative footprint as possible on the external environment.</li> <li>• Our business shall be based on the UN precautionary principle for protection of the environment, and shall apply environmental management systems for our locations, measure and work to reduce own environmental emissions.</li> <li>• We shall work to reduce environmental and climate impacts in the power production processes and set requirements for, and follow up on, our partners environmental and climate emissions.</li> <li>• We shall reduce and recycle as much waste as possible.</li> <li>• We shall help to strengthen society's knowledge of the impact of climate change on the environment through to participate in research and information initiatives, industry cooperation or other preventive measures.</li> </ul>	<ul style="list-style-type: none"> <li>• We undertake to take social action responsibility and respect internationally recognized human rights, including the Universal Declaration of Human Rights, UN Convention on Economic, Social and cultural rights, and the UN Convention on civil and political rights.</li> <li>• We recognize the ILO's core conventions, and we recognize the staff's the right to organize in trade unions. Our working environment must be characterized by diversity, respect and consideration. Discrimination or harassment should not occur.</li> <li>• We shall make the same requirements for our suppliers and other partners as we do to ourselves. Suppliers must sign self-declaration and comply with requirements for social responsibility, e.g. related to health and safety, minimum wage, working hours, right to organize, child labor, acceptable living conditions, discrimination, corporal punishment or forced labor.</li> </ul>	<ul style="list-style-type: none"> <li>• Our business shall be run in a sustainable manner.</li> <li>• We shall operate in compliance with laws and regulations and others regulatory rules.</li> <li>• Our investment portfolios shall be managed in accordance with internationally recognized norms for socially responsible investment (SRI) and comply with the UN Global Compact, including standards including environment and climate, human rights, employee rights and business practices (incl. anti-corruption and anti-money laundering).</li> <li>• We shall have high ethical standard, in accordance with best practice. Our «Codes of conduct» shall be complied with by all our employees, and we have zero tolerance for corruption, including bribes as well as gifts which could affect decisions.</li> <li>• External reporting must be in line with current regulations. We have commenced implementation of the reporting standard Global Reporting Initiative (GRI) for the external reporting related to sustainability and corporate social responsibility. Furthermore, Helgeland Kraft is ISO 14001 and ISO 9001 certified.</li> </ul>

# SUSTAINABILITY GOVERNANCE POLICY DOCUMENT

**Helgeland Kraft has prepared a «Policy for sustainability and social responsibility» as a governing document for the entire group.**

The policy stipulates principles for how we should take the environment and climate as well as social conditions into account and exercise a business management which support our long-term value creation objective. The policy describes how Helgeland Kraft should contribute to ensure sustainable societies and create economic value in a sustainable way. It further requires Helgeland Kraft to take social responsibility, and that sustainability must be integrated, in all core business processes.

With “sustainability” we mean products and services that cater for today's needs without negatively impacting the opportunities for future generations. With “social responsibility” we mean the responsibility we as a company have vis a vis people, society and environment which could be affected by our business operation, beyond what is imposed by law. Our business areas are responsible for ensuring compliance with these policies for sustainability and social responsibility in practice, and ensure that principles, goals and measures are known throughout the organization as well as being systematically followed up.

## SUSTAINABILITY PRACTICES IN OUR BUSINESS ACTIVITIES

**It is important that we as a hydropower producer, improve our development projects related to environmental matters, for example the choice of technological solutions and building materials.**

A strong environmental profile will contribute to our competitiveness in a future where attention to the environment and sustainability will characterize our society to an increasing degree. Now we have set even higher ambitions and stated that we want to be an "industry leader in the green transition".

As a power distribution company, we play a key role in enabling to achieve the goal of a “100% electric society” in Norway. We believe our business activity contributes greatly, and will in the future work actively towards reaching the sustainable goals we have developed.

New technologies such as the use of batteries are prominent, and the societal green transition is taking place at a high pace. We have recently

engaged in improving the network for charging electric vehicles in our area. The lack of such network has led to the Helgeland region lagging significantly behind other parts of the Norway when it comes to the share of applying electric vehicles. We are proud to have been awarded by Enova the contract for the development of a charging network in Nordland South, which includes the coastal highway in the entire Helgeland region.

Providing knowledge about the green transition, sustainable energy production, and how local hydropower production can contribute to developing the «renewable region Helgeland», will be important for us going forward.



# HELGELAND KRAFT AND GREEN BONDS

**Renewable energy is an important part of the solution the global climate crisis, and electricity produced on renewable energy sources plays a key role in a sustainable society.**

By issuing green bonds Helgeland Kraft wants to take part in the sustainable bond market to underscore our commitment to contribute to an environmentally sustainable and climate resilient development.

This Green Bond Framework (the “Framework”) is aligned with the ICMA Green Bond Principles, where an update was issued in 2021.

The Framework defines the assets and projects that can be financed by Green Bonds (“Green Projects”), and it also outlines the process to evaluate, select, track and report on such investments.

This Framework may over time be updated, but new versions of the Framework shall have no implications for the Green Bonds already issued under this version of the Framework.

## 1. USE OF PROCEEDS

**An amount equal to the net proceeds from Green Bonds issued under this Framework will be used to finance a portfolio of assets and projects, in whole or in part, that contribute towards increased electrification and climate change mitigation.**

Only such assets and projects that comply with the list of Green Projects below are deemed eligible to be financed by Green Bonds. Net proceeds from Green Bonds can be used for the financing of new assets and projects as well as for refinancing purposes. New assets and projects are defined as ongoing Green Projects and those taken into operation after the issuance of a Green Bond.

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

## Alignment with Relevant Standards and Guidelines

With this Framework, our aim is to meet best market practices by adhering to relevant standards and guidelines in the green finance market. Each Green Project category has, therefore, been mapped against the different

categories listed in the ICMA Green Bond Principles (“ICMA GBPs”), the relevant UN Sustainable Development Goals (“UN SDGs”) as well as the relevant economic activities included in the EU Taxonomy.

***The EU Taxonomy** provides a classification system for identifying environmentally sustainable economic activities. The Taxonomy Regulation, which entered into force in July 2020, states that to qualify as environmentally sustainable, an activity should 1) make a substantial contribution to the achievement of one or several of EU’s six overarching environmental objectives, 2) do no significant harm to the achievement of any of the other environmental objectives, and 3) meet minimum social safeguards.*

*The first set of EU delegated acts providing technical screening criteria for two of the environmental objectives – Climate Change Mitigation and Climate Change Adaptation – have been approved. The criteria for the remaining four environmental goals are still outstanding.*

*We believe the Green Projects financed under this Framework align with the metrics and thresholds of the EU Taxonomy and have the potential to make a significant contribution to the EU’s environmental objective of Climate Change Mitigation. The Second Party Opinion provider Cicero has, as part of their Second Party Opinion, commented on the Taxonomy alignment of our Green Projects.*

*We acknowledge that metrics and thresholds in the EU Taxonomy may change over time. It is our aim to monitor the development, and when deemed necessary this Framework may be updated to further harmonize with the EU Taxonomy. In our annual Green Finance Report, we aim to provide additional information related changes to the EU Taxonomy and possible implications if deemed relevant to this Framework.*

*Mapping against the relevant economic activities in the EU Taxonomy can be found in the table below, while further details regarding alignment with relevant technical screening criteria can be found in the Appendix.*







## Green Projects

Green Bonds issued under this Framework will finance and refinance capital expenditures and operating expenditures within the following Green Project categories.

Green Bonds can also finance and refinance acquisitions of Green Projects as well as investments in share capital of companies with such assets and

where the use of proceeds should be directly linked to the book value of the eligible assets owned by the acquired company, adjusted for the share of equity acquired.

For operating expenditures, we will use a maximum look-back period of three years.

GREEN PROJECT CATEGORIES	UN SDGs	ICMA GBPs	EU TAXONOMY
<b>Renewable energy</b> Development, construction, installation, operation, improvement, repair and maintenance of facilities, as well as the related infrastructure, connected to the generation of electricity from hydro power projects in Norway subject to (i) a power density above 5W/m <sup>2</sup> or (ii) life-cycle emissions below 100g CO <sub>2</sub> e/kWh, or run-of-river plants without artificial reservoirs.	 	Renewable energy	Electricity generation from hydropower
<b>Distribution of electricity</b> Construction, installation, improvement, operation, repair, and maintenance of projects and assets in Norway power grids for distribution of electricity (over and underground) <sup>1</sup> , smart grid solutions and smart meters, as well as other monitoring systems aimed at enabling reduction of energy consumption.	 	Renewable energy Energy efficiency	Transmission and distribution of electricity
<b>Clean transportation</b> Infrastructure in Norway for zero-emission transport, such as charging infrastructure for electric vehicles.	 	Clean transportation	Infrastructure enabling low-carbon road transport and public transport

<sup>1</sup> Radial lines where end-user applies electricity in fossil fuel activities will not be eligible.



## 2. PROCESS FOR EVALUATION AND SELECTION

**To ensure the transparency and accountability around the selection of Green Projects, Helgeland Kraft has established a Green Bond Committee.**

This committee consists of members of [the executive management team, the treasury team and the sustainability team] and is responsible for the evaluation and selection process.

Only such assets and projects that comply with the Green Project criteria defined in the Use of Proceeds section of this Framework can be approved by the Green Bond Committee and become eligible to be financed with Green Bonds.

Further, every investment must meet a set of criteria set out in Helgeland Kraft's Investment Policy. All decisions related to the inclusion of assets and projects as Green Projects will be made in consensus. The Green Bond Committee also holds the right to exclude any Green Project already funded

by Green Bonds, which is further described below under "3. Management of Proceeds".

To ensure traceability, all decisions made by the Green Bond Committee will be documented and filed. The committee will be responsible for ensuring that Helgeland Kraft keeps a register of all Green Projects.

In addition, the Green Bond Committee is responsible for oversight and potential future updates of this Framework, but any such updates will have no implication or impact on the Green Bonds already issued hereunder.

### **Helgeland Kraft's Investment Policy:**

1. Each investment shall be assessed against internal return requirements and key financial criteria.	4. An investment shall contribute towards production and distribution of renewable power.
2. Each project shall be reviewed with regards to local opposition in the local community.	5. To the extent possible, a project shall contribute to develop new sustainable businesses.
3. Each project's impact on biodiversity shall be considered.	6. Projects invested in shall contribute to the use of renewable power.

### 3. MANAGEMENT OF PROCEEDS

**An amount equal to the net proceeds from issued Green Bonds will be earmarked for financing and refinancing of Green Projects as defined in this Green Bond Framework.**

The Green Bond Committee will endeavor to ensure that the value of Green Projects always exceeds the total nominal amount of Green Bond outstanding.

Net proceeds from Green Bonds awaiting allocation to Green Projects will be held as cash and short-term money market instruments. To the extent possible the exclusions listed in the Use of Proceeds section of this Framework also apply for such temporary holdings of net proceeds.

If a Green Project already funded by Green Bonds is sold, or for other reasons loses its eligibility in line with 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 developments of our Green Projects funded by Green Bonds, a Green Bond Report will be made available on our website.

The Green Bond Report will include an **Allocation Report** and an **Impact Report** and will be published annually if there are Green Bonds outstanding or until full allocation.

### Allocation Report

The allocation report will include the following information:

- The nominal amount of Green Bonds outstanding.
- Green Projects that have been funded by Green Bonds.
- Amounts invested in each of the Green Project categories and the share of new financing versus refinancing.
- Share of capex vs. opex.
- The amount of net proceeds awaiting allocation to Green Projects (if any).
- Information on the possible changes/developments in the EU Taxonomy criteria that may be of relevance for our Green Project criteria.

### Impact Report

The Impact Report aims to disclose the environmental impact of the Green Projects financed under this Framework.

The Impact Report will, on a best effort basis, align with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting” (June 2021) where impact will be aggregated for each project category, and depending on data availability, calculations made on a best-efforts basis with transparency on the assumptions being applied. For projects under construction, calculations may be based on preliminary estimates.

The impact assessment maybe based on the following metrics:

- **Renewable energy production:**
  - Energy generation capacity (MW)
  - Actual annual energy generation (GWh)
  - Annual reduction and/or avoidance of GHG emissions<sup>2</sup>
- **Distribution of electricity:**
  - Delivered energy to end-users (TWh/year)
  - Number of customers (at year end)
  - Increase/improvement in distribution capacity
- **Clean transportation:**
  - Number of charging stations
  - Annual reduction and/or avoidance of GHG emissions

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<sup>2</sup> Helgeland Kraft will apply the recommended grid factor in the Nordic Position Paper on Green Bonds Impact Reporting.



# EXTERNAL VERIFICATION

## Second-Party Opinion

Helgeland Kraft has obtained a pre-issuance Second-Party Opinion from Cicero Shades of Green to confirm the transparency of this Green Bond Framework and its alignment with the ICMA Green Bond Principles. The Second-Party Opinion also includes an assessment of the alignment of our Green Project categories with the criteria in the EU Taxonomy.

The Second-Party Opinion will be made available on our website, together with this Green Bond Framework.

## Post-issuance verification

An independent auditor appointed by Helgeland Kraft 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 Green Bond Framework.

This report will be made available on our website.

