



SFE

**GREEN BOND FRAMEWORK
MARCH 2025**

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ABOUT SFE

Introduction

Sogn og Fjordane Energi AS (“SFE” or “the Company” or “the Group”) is a regionally owned energy production company in Vestland, Norway. The core business is based on the production of renewable energy from *hydropower* as well as *wind power*. SFE is the operator of 28 of 33 fully or partially owned power plants in the Nordfjord, Sunnfjord and Sogn areas. The Group has an annual production capacity of 2.126 GWh from its hydropower plants and 148 GWh from wind power plants. This corresponds to the annual electricity consumption in 140.000 households. SFE, through its ownership in associated companies, is further engaged in other areas such as *transmission and distribution networks*. *The Group is also engaged in the development of hydrogen and biogas production*. SFE has approximately 100 employees and is owned by Sogn og Fjordane Holding AS, Eviny AS, and six municipalities.

“*We create the renewable future*” is the Group’s vision. One of the goals is to be a leader within its region to reduce GHG emissions and to increase electrification in the society. The Group’s most important contribution to this goal is to produce and *increase access to renewable energy*. Therefore, SFE takes a great responsibility in planning and implementing renewable energy projects in a sustainable way. This is important for its owners, employees and the local communities where SFE operates.

Furthermore, a founding principle in SFE’s strategy is to act in a responsible manner that considers the climate, nature and the environment while at the same time taking social and economic considerations into account. Health, safety and the environment are also a central part of SFE’s work related to social sustainability. Thus, the Company always prioritizes the safety and well-being of its employees.

SUSTAINABILITY STRATEGY

Climate change

SFE has developed guiding principles including a “*policy for energy, sustainability, climate and environment*” that describes which sustainability topics SFE will focus on as well as a “*best practice for sustainability in projects*” which aims to ensure that sustainability becomes an integral part of the project processes. This entails taking sustainability into account from early phase project planning, establishing sustainability goals and follow-up, and ensure that suppliers sign and operate due to ethical guidelines.

Selected initiative:

- SFE implemented a sustainability plan and action analysis when designing the new Øksenvane power plant. In the design process, SFE focused on optimizing and reducing the use of input factors such as land, steel, concrete and fossil fuels (scope 3). In the construction phase of the project, starting from spring 2025, these measures will be implemented.

Selected targets:

- By 2040, achieve 1.6 TWh in new power production, in hydro- and wind power
- Reduce scope 1 & 2 GHG emissions by 50% by 2030 and 90% by 2050
- In large projects significant scope 3 GHG emissions will be measured and documented

Nature and biodiversity

Hydro- and wind power projects requires the utilisation of watercourses and land, and thus impacts ecosystems and surrounding landscape to a varying degree. Thus, SFE has policies and measures in place to minimise the environmental impact. This includes obligatory *Environmental Impact Assessments* (EIAs) in the planning phase of its new projects, which include

climate risk and vulnerability assessment, as well as involving environmental expertise, to evaluate environmental aspects. Further, SFE aims at addressing the potential impacts on the local biodiversity and the cultural heritage by *integrating the landscape and local cultural values in the design phase*. The Company follows national laws and regulations, where environmental impact, as well as impact on biodiversity, are important requirements for attaining necessary permits.

Selected initiative:

- In the early 2000s, a stone block fell into the riverbed in *Riseelva*, making it difficult for sea trout and salmon to pass the gully at low water levels. Fish biologists recommended removing the stone block. Even though the cause was not due to SFE's power plant operations, the stone block was removed voluntarily by SFE in 2023. As a result, salmon and sea trout can now migrate up the river to Risevatnet.
- In the development of *Lutelandet* wind power plant, the collaboration between SFE as builder, contractors and landscape architect expertise contributed to well-adjusted results due to location, arrangement of roads and terrain. Here, bird migration is also monitored and must be assessed regarding mitigating measures.

Selected targets:

- SFE's power production should take biodiversity into account. For example, SFE will safeguard threatened or vulnerable species and limit the proportion of "untouched" nature and land used for power plants to a minimum. In affected areas, improving the environmental status to "good ecological potential" or "good ecological condition" are objectives in line with the water management plans.

Circular economy

Circularity is one of the goals in SFE's "policy for energy, sustainability, climate and environment". Thus, SFE aims to reduce the amount of waste and increase sorting, recycling and reuse as well as increase the proportion of input factors that are designed for circularity and efficient use of resources. Maintenance of existing power plants extend their service lifespan and contributes to optimizing the use of water and wind resources. Thus, SFE considers which components should be replaced. Worn-out, non-functioning or "old-fashioned" power plant components and systems are then dismantled, the waste is sorted and disposed to material recycling or other waste management. In this way, used materials enter the circular value chain.

Selected initiative:

- For the purchasing of new components, SFE has increased its focus on using recycled materials and components. For example, when preparing for construction of the new *Øksenelvane* power plant, electrical components, e.g. substations, power transformers and high-voltage overhead cable lines is reused. This is a measure that both benefit a circular value chain, but also contributes to reducing the Company's carbon footprint.
- For the new *Øksenelvane* project, more than 200,000 m³ of rock mass will be blasted out of the mountain to establish a waterway and station hall. The rock mass is a resource which SFE will strive to reuse instead of deposit. Thus, SFE estimates that as much as 75% of the mass will be reused in e.g. road improvement and other local infrastructure purposes, while approx. 25% will be reused for the project's on-site needs.

Employees

SFE operates in an industry that is exposed to Health, Safety & Environment (HSE) risks. Thus, systematic HSE work has been carried out for many years towards the Group's HMS vision saying, "All employees shall come home safe and secure every day – physically and mentally". Clear and transparent management is an important part of the HSE work. The Company also carries out internal control in accordance with health, environment and safety legislation. The internal control forms, among other things, the basis for ongoing risk and vulnerability assessments and safety rounds of the workplace. In project implementation a risk assessment and a SHA-plan (sikkerhet, helse og arbeidsmiljø" in no.) is implemented to ensure that the risk conditions are handled in a responsible manner.

Selected initiative:

- SFE focuses on facilitating/changing work tasks for those who, for health reasons, have experienced challenges in staying in their job positions. For example, SFE often has work training projects in collaboration with Norwegian Law and Welfare Administration (NAV). Sometimes these projects result in permanent positions.

Selected targets:

- Report, follow up and close at least 200 incidents, of which 60% are HSE-related
- Report, follow up and close at least 150 improvement proposals related to HSE
- Sickness absence <3.0%
- 100% of employees rate their manager as positively interested in HSE
- 100% use personal protective equipment when obliged

Local community

SFE's power plant projects are covered by the *Norwegian Water Resources and Energy Directorate's (NVE) regulations*. This means, when planning new projects, SFE seeks early dialogue with landowners and the local community about the project. In addition to the formal consultation processes, it is common to hold information meetings where the local community can see plans and provide questions and feedback. In the Norwegian permit system that NVE manages, processes have been established for the participation and consultation of affected parties, so that they are given the opportunity to express concerns related to external impacts that a power project may have.

Selected initiative:

- In connection to the action plan for sea trout in the river *Vetle fjordelvi* (Mel power plant), SFE invites landowners, authorities and fish biology experts to meet, share knowledge, discuss and inspect the river. This gives the stakeholders the opportunity to share their concerns and give input on what measures should be implemented and how.
- In connection to the development project "*new Øksnelvane*", SFE conducted several public meetings with stakeholder groups from the local community. As a result from the meetings, alternatives where to reuse rock mass in the local community were identified.

Governance

SFE relies on the advice of the *Norwegian Corporate Governance Board (NUES or Norsk utval for eigarstyring og selskapsleiing in no.)*. Through, among other things, a board-supported purchasing strategy and ethical platform for employees, SFE will ensure that its operations are in accordance with the ethical expectations of owners and society. The Transparency Act (*Openheitslova in no.*) also helps to increase focus on human rights and decent working conditions at SFE's suppliers and in the Company's value chain. As part of this work, all suppliers must sign an agreement that they will follow SFE's ethical guidelines with regards to complying with applicable laws and regulations and key UN and ILO conventions.

SFE has also established an *ethics committee* to provide support on the assessment of ethical issues and employees can also raise questions, discuss solutions and get further advice.

Selected policies

- Policy for energy, sustainability, climate and environment (*policy for energi, berekraft, klima og miljø in no.*)
- Policy for the external environment and water bodies (*policy for ytre miljø og vassdrag in no.*)
- Best practice on sustainability in projects (*no. beste praksis for berekraft i prosjekt*) – the aim is to set the direction so that sustainability is an integrated part of the project process. Key areas include sustainability aspects in the procurement process, conducting sustainability meetings, establishing a sustainability plan and action analysis, suppliers signing ethical guidelines incl. supplier dialogue, and ensuring anchoring and follow-up of sustainability topics.
- Values and ethics platform (*verdi- og etikkplattform in no.*)
- Employee handbook (*personalhandbok in no.*)
- Manager handbook (*leiarhandbok in no.*)
- Health, safety & environmental policy (*HMS-policy in no.*)

- Strategy plan for SFE Group 2025-2034 (*Strategiplan for SFE 2025–2034 in no.*)

UN Sustainable Development Goals (UN SDGs)

SFE's most prioritized UN SDGs are:



UPDATE OF THE GREEN BOND FRAMEWORK

This marks the third version (first version published in 2018 and second version in 2021) of SFE's Green Bond Framework ("The Framework") which aims to reflect updated standards and regulations, including updated versions of the Green Bond Principles, published by the International Capital Market Association ("ICMA") and the EU Taxonomy Regulation. Key updates in this version of the Framework includes:

- The Framework Eligibility Criteria have been adjusted to reflect the EU Taxonomy's Technical Screening Criteria, to the extent feasible and reasonable
- Bioenergy has been added as a new sub-category under the category "Renewable Energy" to reflect SFE's biogas project in Nordfjord
- The former category for "transmission and distribution" is merged under "energy efficiency" to correspond to ICMA GBP's classifications
- As SFE's main investment areas relate to renewable energy production the former category for "clean transportation" is removed

The rationale for green funding is founded on the realization of SFE's vision "We create the renewable future". That is, SFE's ambition is to produce and increase access to renewable energy while being a leader within its region to reduce GHG emissions. With this updated Framework, SFE aims to further mobilize debt capital to promote the transition towards a low-carbon and environmentally sustainable society.

This Framework has been developed in alignment with *the Green Bond Principles from 2021 ("GBP")*¹. It follows the four core components along with the key recommendations for external review:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable for issuance of Green Bonds under different formats, including public or private placements.

The terms and conditions of the underlying documentation for each Green Bond issued by SFE shall provide a reference to this Framework. This Framework may over time be updated, however new versions shall have no implications for the Green bonds that have been issued under this Framework.

Swedbank has acted as Sustainability Coordinator to SFE in the establishment of this Framework.

EU Taxonomy

The Framework aims to consider the most recent market practices, in particular the *EU Taxonomy Delegated Act on Climate Change* to the extent possible. Hence, the eligible Green Project categories have been mapped to applicable EU Environmental Objectives and where possible, applicable Eligibility Criteria have been designed to comply with the *Technical Screening Criteria* set out in the EU Taxonomy Delegated Act on Climate Change as at the time of this Framework publication.

¹Green Bond Principles published in June 2021 (with June 2022 Appendix I)

USE OF PROCEEDS

Allocation of net proceeds

An amount equivalent to the net proceeds from SFE's Green Bonds shall be used to finance or refinance, in whole or in part, a portfolio of investments ("Green Assets") undertaken by the Group. Green Assets aim to promote the transition towards a low-carbon and environmentally sustainable society

Eligible Green Assets are both capital expenditures ("CapEx") (could either be reported directly in the income statement or capitalised on the balance sheet) and/or operational expenditures ("OpEx"). CapEx does not have any requirement for look-back period, while OpEx has a requirement of maximum three-year look-back period from the time of issuance. Refinancing refers to Green Assets that have been financed prior the

reporting year. New financing refers to Green Assets that have been financed during the reporting year.

In addition, Green Assets may also include investments in *share capital of companies or joint ventures*, where at least 90% of such companies' revenues can be attributed to a Green Asset category, as outlined below.

Exclusion criteria

The amount equivalent to the net proceeds of SFE's Green bonds will not be allocated to assets for which the purpose of the asset is *fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco*. Moreover, investments and expenditures for *fossil fuel machinery and/or equipment* is not eligible for Green Bond financing.

Renewable energy

EU Environmental Objective: Climate change mitigation UN SDGs:



Expenditures related to construction, acquisition, development, installation, operation, maintenance, and upgrades of renewable energy production, related infrastructure, as well as related Research and Development (R&D) programs.

Eligibility Criteria

Hydropower

Eligible EU Taxonomy activity: 4.5. *Electricity generation from hydropower*

- Facilities that comply with either of the following criteria:
 - The electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or
 - The power density of the electricity generation facility is above 5 W/m²; or
 - The life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100 g CO₂e/kWh

Wind power

Eligible EU Taxonomy activity: 4.3. *Electricity generation from wind power*

- Facilities (onshore and offshore) that produce electricity from wind power

Hydrogen

Eligible EU Taxonomy activities: 3.10. *Manufacture of hydrogen*; 4.12 *Storage of hydrogen*; 4.14 *Transmission and distribution networks for renewable and low-carbon gases*

- Facilities that produce hydrogen with renewable sources
- Hydrogen storage facilities
- Hydrogen transmission and distribution pipelines

Bioenergy

Eligible EU Taxonomy activities: 4.8. *Electricity generation from bioenergy*; 4.13. *Manufacture of biogas and biofuels for use in transport and of bioliquids*; 4.20. *Cogeneration of heat/cool and power from bioenergy*; 4.24. *Production of heat/cool from bioenergy*

- Facilities that produce heat/cool, power, or co-generate heat/cool and power exclusively from biomass, biogas or bioliquids
- Facilities that manufacture biogas and biofuels for use in transport and of bioliquids

Inputs are sustainably sourced biomaterials that are in compliance with the EU Renewable Energy Directive (RED)² and its requirement on GHG reductions.

² Source: [EU Renewable Energy Directive \(RED\)](#)

Energy efficiency

EU Environmental Objective: Climate change mitigation UN SDGs:



Expenditures related to the construction, acquisition, development, expansion, upgrade, operation, maintenance and interconnection of energy and transmission systems as well as their associated infrastructure and related R&D programs.

Eligibility Criteria

Transmission & distribution

Eligible EU Taxonomy activities: *4.9 Transmission and distribution of electricity*

- Transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:
 - 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;
 - More than 67 % of newly enabled generation capacity in the system is below the generation threshold value of 100gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;
 - The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period;
- Installation and maintenance of equipment to increase controllability and observability of the electricity system and enable the development and integration of renewable energy sources, including:
 - Sensors and measurement tools (including meteorological sensors for forecasting renewable production);
 - Communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralised renewable infeed);
 - Demand side management (including smart grid)

Energy storage

Eligible EU Taxonomy activity: *4.10 Storage of electricity*

- Facilities that store electricity and return it at a later time in the form of electricity. The activity may include pumped hydropower storage

Climate change adaptation

EU Environmental Objective: Climate change adaptation UN SDGs:



Expenditures related to measures to address climate change into the construction and operation of renewable energy systems contributing to a substantial reduction of the negative effects of climate change.

Eligibility Criteria

Adaptation measures

Eligible EU Taxonomy category: *Climate change adaptation*

- Implementation of adaptation solutions (i.e. physical or nature-based) that substantially reduce the most important physical climate risks that are material to renewable energy infrastructure such as hydropower, wind power, energy transmissions

Climate change adaptation investments require a climate risk and vulnerability assessment.

PROCESS FOR ASSET EVALUATION AND SELECTION

Selection of Green Assets

SFE has established a decision-making process to determine the eligibility of the Green Assets, in accordance with the Eligibility Criteria outlined in the “Use of Proceeds” section of this Framework.

Green Assets will be selected by a dedicated Green Bond Committee (“GBC”). The GBC is chaired by the Chief Financial Officer and includes the following members:

- Head of Communications
- Head of Sustainability
- Chief Financial Officer
- Head of Treasury

The GBC will convene every 6 months or when otherwise considered necessary.

The evaluation and selection process includes the following steps:

- Sustainability experts and representatives within SFE evaluate potential Green Assets in line with the Eligibility Criteria as set out in the Framework
- A list of potential Green Assets is presented to SFE’s GBC. The GBC is solely responsible to confirm Green Assets, in line with the Eligibility Criteria as set out in the Framework. Each decision is made in consensus
- Approved Green Assets will be inserted to an internal tracking spreadsheet. For the avoidance of doubt, the GBC holds the right to exclude any Green Project already funded by Green Bond net proceeds. If a Green Asset is sold, or for other reasons loses its eligibility, funds will then follow the procedure under “Management of Proceeds” section in this Framework until reallocated to other eligible Green Assets

Additional responsibilities of the GBC:

- Overseeing, approving and publishing the Green Bond Report. The Company may use external consultants and their data sources in addition to its own assessments
- Reviewing the Framework and updating it to reflect changes in sustainability strategy or regulatory developments on a best-effort basis
- Updating external documents such as the Second Party Opinion (SPO) and related documents from external consultants and accountants in connection with material updates to this Framework

Management of environmental & social risks

SFE’s overall management of environmental, social, corporate governance and financial risks is a core component in SFE’s decision-making processes. The Group’s risk management strategies are stated in *policies, guidelines and instructions*. The process for evaluation and selection of Green Assets will follow the same standard decision-making process.

Furthermore, SFE also undertakes obligatory *Environmental Impact Assessments (EIAs)* in the planning phase of its assets, which include climate risk and vulnerability assessment. With regards to *community relations*, SFE goes through a systematic process to screen both advantages and disadvantages associated with a potential asset, including via e.g., dialogues with municipalities and landowners, and public consultations. All suppliers must also sign an agreement that they will follow SFE’s *ethical guidelines* with regards to complying with applicable laws and regulations and key UN and ILO conventions.

In addition, SFE ensures that all Green Assets adhere to *international standards* such as the EU Water Framework Directive as well as applicable *national laws and regulations*. These laws are monitored and enforced by the local authorities, among others, for example when attaining necessary permits.

MANAGEMENT OF PROCEEDS

Tracking of net proceeds

An amount equivalent to the net proceeds from SFE's Green Bonds will be tracked by using an internal spreadsheet where all issued amounts of Green Bonds will be inserted.

All Green Bonds issued by SFE will be managed on a *portfolio level*. This means that a Green Bond will not be linked directly to one (or more) pre-determined Green Asset. The list of Green Assets will be monitored at least annually to ensure there are sufficient volume of Green Assets in the internal tracking spreadsheet. If for any reason a Green Asset ceases to comply with the requirements set out in the Framework, such asset will be removed from the internal tracking spreadsheet. The Treasury department is responsible for management of proceeds.

Allocation period

SFE will commit to, on a best-effort basis, allocate an amount equivalent to the net proceeds from the Green Bonds to Green Assets within 12 months from the issuance date of the Green Bond(s).

Temporary holdings

Any unallocated proceeds may temporarily be placed in the liquidity reserve and managed accordingly by SFE.

Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

REPORTING

To be fully transparent to investors, SFE will publish a Green Bond Report. The report will include an allocation and impact report and will be published on an annual basis until full allocation, and as necessary thereafter in the event of material developments. The Green Bond Report will be available on SFE's [website](#).

Allocation reporting

The allocation report will include the following information:

- A summary of Green Bond developments
- Total amount of Green Bonds outstanding
- Distribution between new financing and refinancing
- Breakdown by Green Asset category
- The amount of unallocated proceeds (if any)

Impact reporting

The impact reporting will, to some extent, be aggregated and provide information on the expected (ex-ante) environmental impact of the Green Assets. The selection of qualitative and quantitative indicators used in the impact report depends on the availability of appropriate information and data.

The impact assessment will, if applicable, be based on the Key Performance Indicators presented in the below table. The KPIs are, where applicable, based on the impact reporting principles of the Nordic Public Sector Issuers Position Paper on Green Bond Impact Reporting.

Green Asset categories

Renewable energy

- Estimated annual GHG emissions reduced and/or avoided (tCO2e)
- Annual renewable energy generation (GWh)

Energy efficiency

- Estimated annual GHG emissions reduced and/or avoided (tCO2e)
- Reduced energy losses through energy efficiency (MWh/year)
- Energy from renewables newly feed into the grid (MWh/year)
- Capacity (kW)

Climate change adaptation

- Physical climate risk addressed and expected adaptation related outcome (quantified if possible)

Example of impact indicators

EXTERNAL REVIEW

Second Party Opinion

The Framework has been reviewed by S&P Global Ratings who was asked to confirm the alignment with ICMA GBP. The Second Party Opinion by S&P Global Ratings will be available on SFE's [website](#).

External Verification

The allocation reporting will be externally verified, by an auditor or another independent third party, to verify whether an amount equal to the net proceeds from SFE's Green bonds have been allocated to Green Assets. This verification will take place annually until full allocation, and as necessary thereafter in the event of material developments. The verification report will be published on SFE's [website](#), together with the Green Bond Report.



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