



## **Eidsiva – Green Finance Framework**

August 2019

### **1. Introduction**

The owners of Eidsiva and Hafslund E-CO have decided to merge their grid and power production units as of the 30<sup>th</sup> of September 2019. After the transaction Eidsiva will be the largest Norwegian electricity grid company with approximately 900,000 customers, with its head office in Hamar.

Eidsiva will own 42.8% of the power production company E-CO Energi AS and the City of Oslo will own the remaining 57.2% through Hafslund E-CO. E-CO Energi will be the second largest power producer in Norway with an annual mean production of 14,7 TWh.

Eidsiva Bioenergy is the third largest district heating producer in Norway with an annual mean production of 400 GWh.

Eidsiva Bredbånd (broadband) is continuously growing its customer base, the current level being 55 000 customers.

Eidsiva has a 50% ownership of the two brands Eidsiva Marked and Gudbrandsdal Energi in the retail market in a joint venture (Innlandskraft AS) with Gudbrandsdal Energi Holding AS. The total customer base for the two brands is 240 000.

Eidsiva is owned 50% by 27 municipalities and two county municipalities in Oppland and Hedmark, and 50% by City of Oslo.

This Green Finance Framework is an update to Eidsiva's framework dated 28 August 2017, and has been expanded to incorporate Green Loans as well as Bonds so that Eidsiva can use a combination of debt instruments to finance its Eligible Green Projects. The Framework is developed in alignment with the Green Bond Principles 2018<sup>1</sup>.

### **2. Green Finance Instruments**

Eidsiva has expanded its Green Framework to allow financing of its Eligible Projects with both Green Bonds and Green Loans, or Green Finance Instruments. These Green Finance Instruments can be used to finance the acquisition and development of new Eligible Projects, to renovate and upgrade existing Eligible Projects and to refinance existing Eligible Projects. The division of the allocation of Green Finance Instrument proceeds between new projects and refinancing will be included in the annual Green Finance Investor Letter (see section 6 below).

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<sup>1</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

### **3. Use of Proceeds**

“**Eligible Projects**” means a selected pool of projects in Norway funded, in whole or in part, by Eidsiva or its subsidiaries that promote the transition to low carbon and climate resilient growth and a sustainable economy as determined by Eidsiva.

Eligible Projects:

- **Energy efficiency** including district heating, connection of renewable energy to transmission networks, upgrading of transmission and distribution networks and smart grids
- **Renewable energy** including hydro, wind power and related infrastructure.

Eidsiva Green Finance Instruments will not finance nuclear or fossil energy generation projects.

### **4. Process for Project Evaluation and Selection**

Eligible Projects will be selected, evaluated and approved in consensus by the Finance Department and the relevant business unit at Eidsiva (i.e. the environmental specialists in the Eidsiva business units have a veto). Proceeds from Green Finance Instruments will be used exclusively for projects that meet the criteria specified in section 3 and that have a high likelihood of delivering positive net environmental effects in the long term.

### **5. Management of Proceeds**

An amount equal to the net proceeds of the issuance of Green Finance Instruments will be credited to a special account that will support Eidsiva’s funding of Eligible Projects. As long as the Green Finance Instruments are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to Eidsiva’s Green Project Portfolio in an amount equal to all disbursements made during such quarter in respect of financing and/or refinancing of Eligible Projects. Until disbursement to Eligible Projects, the special account balance will be placed in liquidity reserves and managed accordingly. If, for any reason, a financed Eligible Project no longer meets the eligibility criteria, it will be removed from the Green Project Portfolio.

### **6. Reporting**

To enable investors to follow company developments and provide insight to prioritized areas, Eidsiva will provide an annual Green Finance Investor Letter to investors including:

- a) a list of the projects financed including a brief description and expected impact;
- b) information about the division of the allocation of Green Finance proceeds between new projects and refinancing, as well as the split between Green Loan and Green Bond issuance;
- c) a summary of Eidsiva’s Green Finance activities during the year.

Eidsiva recognizes the importance of transparency and investors’ interest in impact reporting on projects financed with Green Finance Instruments. It is Eidsiva’s

ambition to report on the expected amount of renewable energy capacity added/restored for renewable projects and on the expected efficiency gains achieved for the same output/service in energy efficiency projects when feasible.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Investor Letter will be verified by Eidsiva's internal compliance function. The Investor Letter and the opinion of the internal compliance function will be made publically available on Eidsiva's website.

Eidsiva will have its Green Finance Framework reviewed by the Centre for International Climate and Environmental Research – Oslo (CICERO) who will issue a Second Opinion. The Second Opinion as well as the Green Finance Framework will be made publically available on Eidsiva's web site.