

Agder Energi – Green Bonds Framework

16 October 2017

1. Introduction

Agder Energi is one of Norway's largest energy companies, and its business areas include hydroelectric power production, energy management, distribution network, retailing, contracting and district heating.

Agder Energi's corporate social responsibility (CSR) activities are designed to ensure that its operations are run in a sustainable and ethical way. The Group integrates social and environmental considerations into its operations, its decision-making processes and the activities of its subcontractors. Agder Energi has adopted a Group strategy and methodology that establish guidelines for the business areas' activities with respect to CSR. Agder Energi's CSR goals are related to the ten basic principles of the UN Global Compact.

This Green Bonds Framework is developed in alignment with the Green Bond Principles 2017¹. It is Agder Energi's intention to follow best practices in the market as the standards develop.

2. Use of Proceeds

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

Eligible Projects:

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

¹ See International Capital Market Association, ICMA:

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

Agder Energi will not finance nuclear or fossil energy generation projects through its Green Bonds.

Agder Energi Green Bonds 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 Bond proceeds between new projects and refinancing² will be included in the annual Green Bond Investor Letter (see section 5 below).

3. Process for Project Evaluation and Selection

Eligible Projects will be evaluated, selected and approved in consensus by the Treasury Department and the relevant business unit at Agder Energi, including with participation from the relevant environmental specialist(s). Proceeds from the Green Bonds will be used exclusively to finance projects that meet Agder Energi's Group Strategy for Social Responsibility, the criteria specified in section 2 and that have a high likelihood of delivering positive net environmental effects in the long term.

4. Management of Proceeds

An amount equal to the net proceeds of the issue of the Green Bonds will be credited to a special account that will support Agder Energi's funding of Eligible Projects. As long as the Green Bonds 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 Agder Energi'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.

5. Reporting and Transparency

To enable investors to follow the development and provide insight to prioritized areas, Agder Energi will provide an annual Green Bond Investor Letter to investors including:

- a) a list of the projects financed including allocated amounts, a brief description of the projects and their expected environmental impacts;
- b) information about the division of the allocation of Green Bond proceeds between new projects and refinancing.

Agder Energi recognizes the importance of transparency and investors' interest in impact reporting on projects financed with Green Bonds. It is Agder Energi's ambition to report on the major expected/actual amount of renewable energy capacity

² New projects are defined as projects that have been finalized within one year before the approval in accordance with section 3 of this Green Bonds Framework .

added/restored/connected/distributed 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 Agder Energi's internal compliance function. The Investor Letter and the opinion of the internal compliance function will be made publically available on Agder Energi's website.

Agder Energi will have its Green Bonds 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 Bonds Framework will be made publically available on Agder Energi's web site.