

Green Finance Framework

April 2022



Introduction

Statkraft is a leading company in hydropower internationally and Europe's largest generator of renewable energy. The Group produces hydropower, wind power, solar power, gas-fired power, and supplies district heating. In 2021 the consolidated installed power generation capacity was 18.7 GW of which 66% is located in Norway, 10% in other Nordic countries, 19% in other European countries and 5% in the rest of the world. The total power generation in 2021 was 69.9 TWh with a renewable percentage of 96%¹. Statkraft has 4800 employees in 18 countries and is wholly owned by the Norwegian state.

Statkraft aims to be a leading renewables company by 2025. A clear business strategy has been developed to achieve this. One of the enablers of the strategy is the way in which Statkraft operates as a company. This is reflected in the company's commitment to sustainability and responsible business practices. Through its activities, Statkraft aims to create value for society, the environment and the company. The strategy has four pillars:

- Optimise and expand hydropower portfolio
- Ramp up wind and solar development
- Grow customer business
- Develop new business²

Statkraft's sustainability strategy has a special focus on the areas of climate change, human rights and biodiversity. Statkraft has committed to a power sector pathway compatible with a 1.5°C global warming target in line with the Paris Agreement.

Its corporate ambitions related to climate change are:

- Statkraft shall remain Europe's largest generator of renewable power going forward to 2025 and be among the top three most climate-friendly European-based power generators.
- Statkraft aims for carbon neutrality by 2040 for direct (scope 1) and indirect (scope 2) greenhouse gas (GHG) emissions

Through our management system, "The Statkraft Way", we embed our sustainability approach into our processes. Our Code of Conduct, approved by the Board of Directors, outlines our fundamental principles for responsible behavior. It applies to our employees and all the companies in the Statkraft Group. Our business partners and suppliers are expected to adhere to our Supplier Code of Conduct.

In its work on sustainability, Statkraft complies with the laws and regulations in the countries where it operates and takes guidance from relevant international standards and principles, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. We comply with EU Directives for our European activities and with IFC Performance Standards for our international investments. Statkraft is a participant in the UN Global Compact.

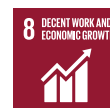
At Statkraft, we recognise the importance of businesses in contributing to the realisation of the UN Sustainable Development Goals, and this is why we place a special focus on seven SDGs. These are goals which we are well-positioned to contribute to, or which we believe are particularly important to address. We have identified three levels of action in which we embed sustainability throughout our organisation: our overarching commitment, our core business functions, and the way in which we operate daily. Our overarching ambition is to contribute to combatting climate change (SDG 13).



Our commitment



Our core business



The way we work

¹ Non-renewable production consists of gas power and share of district heating based on fossil fuel.

² Includes amongst others EV charging (Mer), biomass and hydrogen

The investment programme will be adapted to the company's financial capacity, rating target and market opportunities. Statkraft is committed to act in a sustainable and responsible manner. Statkraft's goal is to have safe operations where people, communities, the environment and the company's assets are protected. To operationalise these fundamental commitments, Statkraft bases its work on globally supported initiatives and standards.

The Group is planning annual net investments of more than NOK 13 billion in renewable energy towards 2025. The pace and total amount of investments in the strategic period will depend on market opportunities and market development and will be adapted to safeguard Statkraft's credit rating. About 30 per cent of the net investments until 2023 are planned in the Nordics, 30 per cent is planned in markets outside Europe and about 40 per cent is planned in Europe.

This Green Finance Framework has been established to incorporate Green Loans as well as Green Bonds so that Statkraft can use a combination of debt instruments to finance its Eligible Projects.

This Green Finance Framework is developed in alignment with the ICMA Green Bond Principles 2021³ and LMA Green Loan Principles 2021⁴ which provide guidelines in four key areas and External Verification that has become the market standard:

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

Use of Proceeds

Statkraft's Green Finance Framework allows financing of its Eligible Projects with both Green Bonds and Green Loans (collectively defined as Green Finance Instruments).

"Eligible Projects" means a selected pool of projects, funded in whole or in part by Statkraft or its subsidiaries that promote the transition to low carbon and climate resilient growth and a sustainable economy as determined by Statkraft.⁵

The Green Finance Instruments are used to finance the acquisition and development of Eligible Projects, to refurbish and upgrade existing Eligible Projects and

to refinance existing Eligible Projects. The financing of new Eligible Projects will have a 3-year look back period⁶. The division of the allocation of Green Finance Instrument proceeds between new projects and refinancing is included in the annual Green Finance Impact Report. Statkraft allocates the net proceeds from Green Financing Instruments raised in accordance with this framework to the following Eligible Projects categories as seen in the table on the next page.

Statkraft will not finance nuclear or fossil fuel energy generation projects through its Green Finance Instruments.

³ <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁴ <https://www.lsta.org/content/green-loan-principles/>

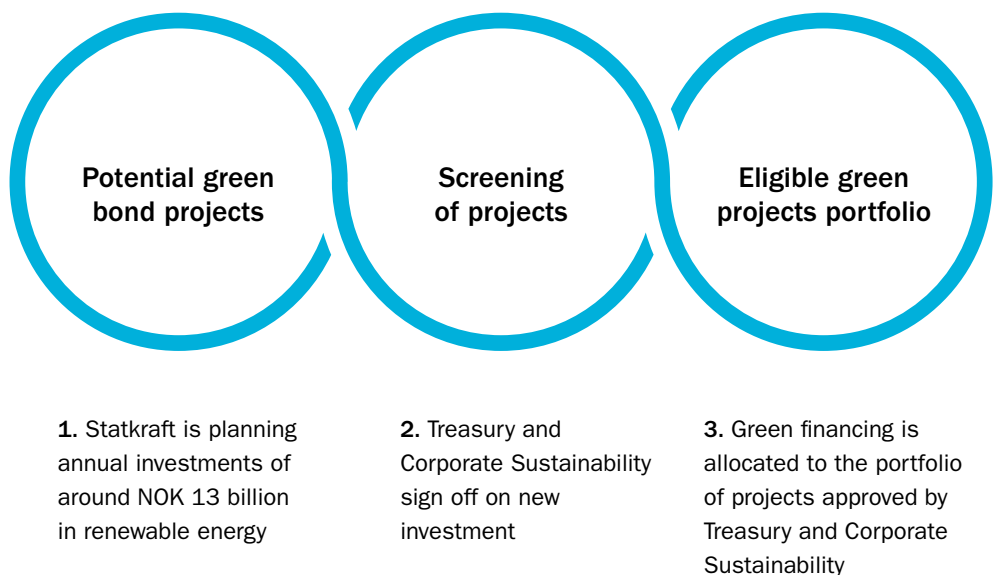
⁵ Small scale projects (<50 MNOK total investment) are not included in the selected pool of Eligible Projects.

⁶ Projects are considered new financing if they are not older than 3 years, while projects are refinanced if they are older than 3 years.

Categories	Eligible Projects	UN SDG's
Renewable Energy	Construction and reconstruction of hydro-, wind- and solar power plants including related infrastructure	 
		Ensure access to affordable, reliable. Sustainable and modern energy for all Take urgent action to combat climate change and its impact
Clean Transportation	Construction, maintenance and upgrading of charging infrastructure for electric vehicles	  
		Ensure access to affordable, reliable. Sustainable and modern energy for all Make cities and human settlements inclusive, safe, resilient and sustainable Take urgent action to combat climate change and its impact

Process for Project Evaluation and Selection

Eligible Projects are evaluated, selected and approved in consensus by representatives from the Treasury department and the Corporate Sustainability unit. Proceeds from the Green Finance Instruments are used exclusively to projects that meet the certification criteria of Eligible Projects.



Reporting and Transparency

To enable investors to follow the development and provide insight into prioritized areas, Statkraft will provide an annual Green Finance Impact Report to investors including:

- 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
- Information about the division of the allocation of Green Finance proceeds between the eligible project categories
- When possible and relevant, further information on the Eligible Projects, such as a brief description of the main projects and their expected impact
- Balance of the Green Finance Register

Statkraft recognizes the importance of transparency and investors' interest in impact reporting on projects financed with Green Finance Instruments. Statkraft's sustainability reporting in the annual report is based on the Global Reporting Initiative Standards. The data is provided in the annual Green Finance Impact Report and discloses relevant measurements and indicators, e.g.;

- **Installed capacity power generation (MW)**
- **Power generation (MWh)**
- **Capacity under development (MW)**
- **Emissions of CO₂ equivalents (tonnes)**

EU Taxonomy Alignment

For financial reports published on or after 1 January 2023, Statkraft is aiming at disclosing the share of net turnover, operational expenditure and capital expenditure that is Taxonomy-aligned. Renewable power generation is generally deemed to make a substantial contribution to the mitigation of climate change and Statkraft has an ongoing process for assessing substantial contribution towards this objective and reviewing the economic activities for doing no significant harm for the other objectives.

Statkraft closely follows regulatory developments within sustainable finance. Statkraft will report on the proportion of Green Financing raised that is aligned with the prevailing relevant European Union Taxonomy for Sustainable Activities criteria at the time of publishing the Green Finance Impact Report.

External Verification

Statkraft's Green Finance Framework has been reviewed by CICERO Shades of Green who has issued a Second Opinion.

The internal tracking method and the allocation of net proceeds is verified by Statkraft's external auditor who issues an annual Assurance Report until the net proceeds are used in full.

Statkraft has established a specific section on its corporate website dedicated to providing information about its Green Finance Instruments. Relevant documents and information concerning Statkraft's Green Finance Instruments are published on this site including:

- The Green Finance Framework
- The Second Opinion
- The Green Finance Impact Report
- The Assurance Report

Management of Proceeds

The net proceeds raised in accordance with this framework are managed by the Treasury Department in Statkraft. Statkraft will establish a Green Finance Register for the purpose of monitoring Eligible Projects financed by the Green Finance Instruments issued by Statkraft, as well as to provide an overview of the allocation of the net proceeds from the Green Finance Instruments issued to the respective Eligible Projects. The value of the Eligible Projects detailed in the Green Finance Register will at least equal the aggregate net proceeds of all outstanding Statkraft Green Finance Instruments.

In the event that the total outstanding net proceeds of Green Finance Instruments exceed the value of the Eligible Projects in the Green Finance Register, proceeds yet to be allocated to Eligible Projects will be held in accordance with the liquidity management policy of Statkraft's Treasury Department. The Green Finance Register will form the basis for impact reporting.



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