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Second Party Opinion

Statnett SF's Green Bond Framework

April 29, 2024

Location: Norway

Sector: Utility networks

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Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

See [Alignment Assessment](#) for more detail.

EU taxonomy

Fully aligned

Partially aligned

Not aligned

Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

Strengths

Statnett's activities under financing aim to support the transition to a low-carbon economy. Its activities support the electrification of the economy, technological development, and renewable energy production. These are key to reducing emissions and meeting EU climate targets.

Statnett has done end-of-century climate risk vulnerability assessments of its activities. It has published its analysis of potential disruptions, helping set a starting point for deciding adaptation measures.

Statnett manages its value-chain emissions well. It incorporates climate requirements into contracts and encourages suppliers to reduce their carbon footprints.

It is addressing SF6 leaks and grid losses, two of the sector's biggest challenges. Alternative technology to SF6 is anticipated to be accessible for plants at the highest voltage level by 2025.

Weaknesses

No weaknesses to report.

Areas to watch

While electrification is crucial for the green transition, it can also be leveraged and driven by industries with varying climate contributions. The issuer has told us that the proceeds will not be used to directly connect offshore oil and gas platforms to the grid. The issuer's investments might indirectly support other sectors' electrification in the future, outside the issuer's control.

Interconnectors can increase the flow of foreign electricity into Norway, from grids that are higher emitters The issuer expects Southern Norway will have a power deficit by 2026 and the whole of Norway by 2027. However, we believe Norway's neighboring countries' transition toward renewable energy sources, and the ambitious climate targets under the European Green Deal, will likely limit this risk in the long term. Historically, Norway has been a major electricity exporter and these interconnectors will keep supporting the transition to a more renewable electricity mix in the connected countries.

Eligible Green Projects Assessment Summary

We assess eligible projects under the issuer's green bond framework, based on their environmental benefits and risks and using our Shades of Green methodology.

Renewable energy ■ Dark green

All eligible projects are related to the transmission and distribution of electricity.

- Projects directly associated with renewable power production. Grid reinforcement projects in this category are a prerequisite for connecting new renewable power production to the power system.
- Projects directly associated with demand for electricity. Projects in this category will typically be initiated because of: Increased demand for electricity, due to the transition from fossil fuels to electric solutions (electric cars, electric heating, electrification of industrial processes instead of fossil fuel usage); and/or the poor condition of existing network components that are important for serving existing and future demand for electricity. Typical projects would be upgrades to existing lines and substations, due to old age and/or new technical requirements.
- Construction and operation of interconnectors between transmission systems across regional markets to increase the provision of clean electricity. A typical project would be interconnectors between regional markets in Norway or between Norway and other countries (namely countries with a clear goal to create a renewable power system).
- Projects directly related to innovation and technology development to support the transition to a renewable power system.

See [Analysis Of Eligible Projects](#) for more detail.

EU Taxonomy Summary

Technical screening criteria								Minimum safeguards	Overall alignment
Substantial contribution	Do no significant harm (DNSH)								
	Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection			
4.9 Transmission and distribution of electricity - NACE code: D35.12									
✓	Climate mitigation	N/A	✓	N/A	✓	✓	✓	✓	

See [EU Taxonomy Alignment](#) for more detail.

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = —

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Statnett is Norway's national electricity Transmission System Operator (TSO) and owner of the Norwegian power transmission grid. It owns and operates the power transmission network across Norway's five price zones and connects the power system to neighboring countries including Sweden, Denmark, Germany, the Netherlands, and the U.K. The company operates through about 11,500 kilometers of high voltage lines, 2,550 kilometers of subsea and underground cables, and has 190 substations. Fully owned by the Norwegian government through the Ministry of Energy, Statnett reported EBITDA of NOK11.5 billion in 2022.

Material Sustainability Factors

Climate transition risk

Climate transition risks are highly material to stakeholders but tend to have more bearing on electricity networks given their critical role in the energy delivery value chain and their direct exposure to upstream generators, which are a leading cause of greenhouse gas emissions. These drivers make the sector highly susceptible to growing public, political, legal, and regulatory pressure to accelerate climate goals and are highly relevant for stakeholders globally. The ongoing energy sector decarbonization is expected to triple its reliance on renewables, which comes with significant grid expansion. This expansion faces the challenge of reducing SF6 leaks, a potent greenhouse gas in electrical transmission facilities. Addressing these leaks is crucial to reducing climate change impacts in the power transmission sector. Norway's climate goals place great emphasis on electrification and new green industries, thereby accelerating demand for renewable power.

Physical climate risk

Networks operate fixed assets that span large service territories, making them highly exposed to physical climate risks. These events can cause network service disruptions for large populations, elevating stakeholder materiality. Issuers have been impaired by wildfires, hurricanes, and winter storms. During these events, the utility may incur higher costs, which typically leads to higher leverage. Statnett's entire operations are in Norway, which is subject to natural hazards like floods, storms, extreme cold, and landslides.

Biodiversity and resource use

Alongside climate risk, the loss of biodiversity is one of the major global challenges. The United Nations has designated 2021–2030 as the world's decade for the restoration of ecosystems. Transmission electricity activities involve interventions in nature and for Norway—with its long-term plan to increase interconnection with neighboring countries—its presence in marine areas will increase. Given that Statnett has infrastructure throughout Norway, both on land and under water, reducing its land use and biodiversity impacts is crucial. Generally speaking, a lack of biodiversity considerations can lead to habitat loss, landscape fragmentation, and disruptions to species, undermining biodiversity and ecosystem services.

Impact on communities

Community impacts can be acute for stakeholders given how close networks typically are to where people live and work, and the essential role energy services play in community health and wellbeing globally. Stakeholders can be affected by the construction and siting of lines, especially in areas unaccustomed to industrial development and in indigenous territories. Construction is accelerating to meet climate goals and where local governments have legal power to expropriate private land for energy activities. Moreover, service disruptions and fires pose severe, and sometimes irreversible, community health and safety hazards.

Access and affordability

Climate-related risks are pressuring the affordability and reliability of networks, in turn heightening the materiality for stakeholders. Energy is essential to human health and wellbeing and global economic development. Service disruptions or steep price increases are likely to be amplified by the energy transition and physical climate risks. These dynamics can affect households' purchasing power and the competitive strengths of local industries, which make access and affordability highly material for stakeholders. Moreover, while utility bills are rising, they tend to increase at a lower rate than inflation.

Issuer And Context Analysis

The framework's project category aims to address all of Statnett's most material sustainability factors. Investments in the transmission and distribution of electricity play a crucial role in helping reduce climate risk by facilitating the distribution of renewable energy sources, thereby decreasing reliance on fossil fuels. In line with Statnett's overall strategy, the financing includes investments related to grid expansion to connect new renewable power generation, grid reinforcement or upgrades, interconnectors, and digitization. Statnett has robust procedures for implementing eligible projects to address its exposure to physical climate risks that could affect biodiversity and local communities. The energy transition is also intensifying access to clean energy, contributing to the demand for affordable energy.

Statnett aims to become net zero across its value chain by 2050 by reducing emissions (scopes 1, 2, and 3) in line with the Paris Agreement. The issuer's biggest source of direct emissions (scope 1 accounts for 8% of its total emissions) is leaks of SF6, which Statnett plans to reduce by 25% by 2025. Alternative technology to SF6, with a significantly reduced climate impact, is currently commercially available for plants with voltage of up to 145 kV. The technology is expected to be available for plants at the highest voltage level (420 kV) in 2024-2025. The entity's indirect emissions stemming from grid losses account for 98.8% of scope 2 emissions (20% of total emissions), like all TSOs. We believe that the issuer's investments in grid reinforcement or upgrades will help toward its target and address a key challenge for the sector. Statnett is working to set science-based targets for net-zero emissions by 2050, supported by the integration of renewable energy in the European energy system. Decentralized energy reduces transportation distances and minimizes losses associated with transmitting electricity over long distances. To reduce its scope 3 emissions (72% of total emissions), the issuer plans to use low-carbon-footprint technologies and materials in the construction and operation of new and existing grids. Furthermore, Statnett has strong supplier practices to manage its value-chain emissions. It incorporates climate requirements into contracts and encourages suppliers to reduce their carbon footprints.

The company will continue its large investments to support Norway's electrification strategy and goals of reducing carbon emissions by at least 50% by 2030 compared to 1990 levels and becoming carbon neutral by 2050. Statnett plans new grid expansions to connect 260 TWh by 2050 and upgrade all major transmission channels to 420 kV to increase capacity between regions. Also, in line with the Norwegian government's goal of 30 GW of offshore wind by 2040, the company is preparing to connect 15 GW of offshore wind by 2040 and at the same time is analyzing hybrid offshore wind solutions. Beyond Norway, Statnett will continue to play a key role in achieving the EU target of enhancing interconnections between neighboring countries. Historically, according to the International Energy Agency (IEA), Norway has been a major electricity exporter, and these interconnectors will continue to support the transition to a more renewable electricity mix in the connected countries.

Statnett's physical climate risk reflects the long life and fixed nature of its assets. Most of the company's infrastructure is located in Norway, which has high exposure to physical climate risks such as floods, storms, and landslides. Statnett has identified physical climate risks that are material to the transmission facilities portfolio and has conducted climate risk and vulnerability assessments. Furthermore, to build resilience into new and existing infrastructure against

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climate change impacts, Statnett relies on external expert advice and employs climate scenario modeling. Despite weather events, over the last five years operational stoppages on power lines have remained relatively stable at 60-90 per year, although the entity predicts that the risk of disruptions could increase due to climate-change-related weather conditions.

Statnett aims to become nature positive, although it has yet to develop targets and measures.

Its infrastructural impact on natural biodiversity and ecosystems will expand as a result of its eligible projects. Furthermore, with the development of offshore grids, Statnett's presence in marine areas is expected to increase. To identify project-related risks and impacts, the company conducts environmental impact assessments (EIAs) and follows the mitigation hierarchy, where the main focus is on the preservation and re-establishment of ecosystems and habitats for species during both the construction and operation phases. Statnett also aims to avoid valuable natural areas such as bogs, wetlands, and plans to develop a land-use index for such areas to be incorporated into decision-making and reporting.

Statnett's activities, as an operator of critical infrastructure, significantly affect communities.

On the one hand, faster grid expansion could result in potential conflicts with local stakeholders over land use. Statnett addresses this risk by consulting and working proactively with various stakeholders, including indigenous communities, to ensure their interests are appropriately integrated into decision-making. Furthermore, it is managing human-rights-related social risks along the supply chain through robust procurement practices, due diligence statements, and a suppliers' code of conduct. On the other hand, access and affordability are gaining importance due to rising energy prices. The Ukraine war and discontinuance of Russian gas supplies to Europe caused a steep increase in energy prices. We understand that to support the green transition, investments are required--which can cause steep price increases.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Green Bond Principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Use of proceeds

We consider Statnett's overall use-of-proceeds commitments to be aligned with the Principles. The issuer commits to allocate 100% of the net proceeds issued under the framework exclusively to finance the acquisition and development of new eligible projects and to refinance existing green eligible projects. The framework includes several electricity-transmission infrastructure projects under one eligible green project category--renewable energy--under which Statnett aims to contribute to climate change mitigation. The maximum lookback period for operating and capital expenditure is three years from the time of issuance. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

✓ Process for project evaluation and selection

Statnett's Green Finance Committee is responsible for determining the eligibility of the nominated green projects against the framework's criteria. The committee comprises representatives from at least three of the four following functions: Grid Planning Function; Land Use and Environmental Function; Finance and Treasury Function; and Sustainability Function. The committee decides the selection of potential green projects, and approval and/or removal of projects when they no longer meet the eligibility criteria. We positively note that the representative of the Land Use and Environment Function must always be present during the eligible project approval process and will hold a veto power. The committee will meet at least annually and only approve projects with a high likelihood of net positive long-term environmental effects. To identify and manage potential environmental and social risks, Statnett commits to robust processes such as due diligence related to human rights, decent working conditions, and reducing emissions. It also addresses these risks by aligning its eligible activities with the EU taxonomy's do no significant harm (DNSH) criteria and minimum safeguards.

✓ Management of proceeds

The issuer commits to booking an amount equal to the net proceeds to a dedicated general ledger account to track and monitor the allocation of all issued amounts to eligible green projects. If the value of an outstanding instrument exceeds the value of the assets included in the dedicated account, the funds will be deducted from the ledger account and added to Statnett's Green Project Portfolio. If projects no longer meet the eligibility criteria, the issuer will remove them from the Green Project Portfolio and allocate the corresponding funds back to the dedicated general ledger account. Unallocated proceeds will be placed in its general ledger account until allocated.

✓ Reporting

Statnett currently reports on, and verifies its allocation of, proceeds and their impact under its previous framework. Under its new framework, Statnett commits to reporting on the allocation of the net proceeds and the expected impact of the green eligible assets in its Allocation and Impact Report, published on its website, until full allocation, annually. When feasible, an annual report will be supplemented by case studies. The report, among other aspects, will include information on the split of proceeds between financing versus refinancing, descriptions of the green eligible projects, and impact indicators, where feasible. The issuer will align its impact reporting with ICMA's Harmonised Framework for Impact Reporting on a best effort basis. The issuer's post-issuance verification is also expected to include a statement on EU Green Bond Standard adherence, showing Statnett's proactive approach to incorporating the most up-to-date sustainable finance voluntary standards.

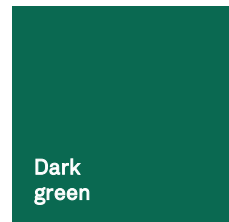
Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Over the three years following issuance of the financing, Statnett expects to allocate 100% of the proceeds to the renewable energy project category. Ninety-five percent of proceeds will be directed to upgrading existing lines and substations, and 5% to innovation and technology development. Statnett's green portfolio indicates 100% financing of eligible projects.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, and considering the environmental ambitions reflected in Statnett's Green Bond Framework, we assess the framework as Dark green.



Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

Green project categories

Renewable energy

Assessment

 **Dark green**

Description

All eligible projects are related to the transmission and distribution of electricity.

- Projects directly associated with renewable power production. Grid reinforcement projects in this category are a prerequisite for connecting new renewable power production to the power system.
- Projects directly associated with serving demand for electricity. The projects in this category will typically be initiated due to: Increased demand for electricity, due to the transition from fossil fuels to electric solutions (electric cars, electric heating, electrification of industrial processes instead of fossil fuel usage), and/or: The poor condition of existing network components that are important for serving existing and future demand for electricity. Typical projects would be an upgrade of existing lines and substations, due to old age and/or new technical requirements.
- Construction and operation of interconnectors between transmission systems across regional markets to increase the provision of clean electricity. A typical project would be interconnectors between regional markets in Norway or between Norway and other countries (namely, countries with a clear goal of a renewable power system).
- Projects directly related to innovation and technology development to support the transition to a renewable power system.

Please refer to the EU taxonomy Assessment section for more information on our analysis of the alignment with the transmission and distribution of electricity under the EU taxonomy.

Analytical considerations

- The electricity sector in Norway, which predominantly relies on hydropower, faces several challenges. The demand for electricity is expected to outpace the supply, resulting in a power deficit in a few years. According to the IEA, more electrification will be needed across sectors to meet Norwegian climate targets, which will require additional renewable power generation and increased transmission capacity.
- We assess as Dark green the issuer's investments supporting the transmission and distribution of electricity, given the low-carbon intensity of Norway's grid, along with the contribution to Norway's climate targets and the expansion of the clean energy market in the region. As all the proceeds will be allocated to projects that fully support the green transition, along with the

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





issuer's strong commitments to managing biodiversity and physical climate risks, we view the financing framework as closely aligned with a low-carbon and climate resilient future.

- The issuer intends to allocate the majority of proceeds to upgrading existing lines and substations. These comprise voltage upgrades of all major transmission channels to the highest voltage level (420 kV), as well as refurbishing the older power line grid. This is important to serving existing and future demand for renewable electricity, given that current power cables are old and have restricted capacity. The old cables also use oil insulation and SF6 gas (23,500 times more potent than carbon dioxide) and carry a higher risk of leakage. To address this challenge, the investments will focus on renewing the existing lines and renovating stations to mitigate their footprint and ensure that the power supply and demand are balanced at all times. The issuer has informed us that green bond proceeds will not be used to finance direct energy supplies to offshore oil and gas platforms. Despite this exclusion, electrification might be indirectly leveraged by industries that have various effects on climate (from data centers, and petroleum- and energy-intensive industries, to electric transport). Nonetheless, we see electrification as Dark green, as it is one of the most important strategies to significantly cut current emissions and align with a net-zero future.
- A minority of proceeds will be allocated to finance projects related to technology innovation and development to enable the transition to a renewable power system. This primarily includes automatic system protection and solutions for controlling and monitoring operational stability in a grid with a high share of renewable and intermittent power. We see this activity as Dark green, as it enables the issuer to test scenarios and conduct analysis without involving the physical facility, resulting in emissions reductions, increased resource efficiency, and no emissions locked in.
- Historically, Statnett allocated large investments to finance the construction of two major subsea interconnector projects connecting Norway to Europe (NordLink and Nord Sea Link) to increase the provision of clean electricity. The issuer does not intend to fund similar projects in the short term, although this would be an eligible activity under the framework. We assess such projects as Dark green because they support the continued increase of intermittent renewables and the transition to a greener European electricity system, and they position Norway (and the other countries involved) favorably to trade energy and benefit from market developments in the region, without risking supply shortages. In the short term, regional interconnectors can increase the risks associated with the flow of foreign electricity with a higher-emission grid factor, but longer term this risk should be mitigated by the European Green Deal, which requires member countries to significantly increase the share of renewable energy in their total energy mix.
- The minority of proceeds might also be directed to grid reinforcement projects that connect new offshore renewable power production to the power system. With expected growth in electricity consumption, along with the Norwegian government's significant investments in offshore wind power production, there is an urgent need to prepare the power system and enable the use of new renewable energy generation. For this reason, the proceeds will support the preparation of a transmission system to connect 15 GW of offshore wind to the mainland by 2040. In turn, this will support the country's goal to cut greenhouse gas emissions by at least 55 % by 2030 and 90%-95% by 2050, in accordance with the Paris Agreement's 1.5°C pathway.
- The eligible projects under financing entail interventions into nature that could harm local biodiversity--for example disturbance to peatlands and reindeer herds, or the extraction of biodiversity resources with high carbon storage. There are also risks associated with an increased presence in marine areas. To address these challenges, the issuer has outlined three strategic priorities: 1) avoiding construction in valuable natural areas; 2) minimizing construction in carbon dense areas; and 3) employing nature-positive solutions, including the preservation and re-establishment of ecosystem services where possible. Furthermore, the issuer commits to conducting an environmental impact assessment for all projects that involve major land use changes, as well as setting biodiversity targets, reporting on statistics of land use in valuable natural areas, and developing an index to facilitate decision making and reporting. For reindeer herds, initiatives include employing a reindeer coordinator, who monitors and coordinates Statnett's activities regarding herds' movements, as well as halting construction when herds move in and building fences to help redirect herds, to mention a few. Regarding the impacts on marine biodiversity resulting from the interconnections that Statnett has with other countries, such as the U.K. or Germany, we note the issuer's prevention and mitigation actions to avoid sensitive geological areas and run the cable route away from aggregations of rocky reefs.
- The assets under financing are exposed to physical climate risks such as changes in precipitation patterns or strong winds. These events, which are becoming more frequent and severe, can cause network service disruptions for large populations and other operational stoppages. In response to this challenge, the issuer has identified the physical risks that are material to the transmission facilities portfolio and has conducted climate risk and vulnerability assessments, in accordance with the UN Climate Panel's (IPCC) fifth assessment report. As per the assessment, Statnett's facilities will experience increased, reduced, or unchanged climate impacts, depending on their location. We positively note that the climate scenario analysis was conducted by the issuer and used as a tool to prevent potential damage. For example, calculations were performed to identify the best areas to place pylons and provide technical solutions for power lines.

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- Please refer to the EU taxonomy Assessment section for more information on our analysis of the issuer's climate adaptation solutions, circular economy, pollution prevention, and biodiversity conservation approach.

S&P Global Ratings' Shades of Green

Assessments						
 Dark green	 Medium green	 Light green	 Yellow	 Orange	 Red	
Description						
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.	
Example projects						
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration	

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

EU Taxonomy Alignment

In our EU Taxonomy Assessment, we opine on whether an eligible project to be financed aligns with the EU Taxonomy in cases when the economic activity is covered by Technical Screening Criteria (TSC), which is incorporated into European law via delegated acts. (see "[Analytical Approach: Second Party Opinions: Use Of Proceeds](#)," published July 27, 2023).

EU taxonomy	Fully aligned	Partially aligned	Not aligned
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In our opinion, the framework, is fully aligned with the EU taxonomy.

- The EU taxonomy economic activity--transmission and distribution of electricity--is aligned with the TSC's substantial contribution criteria and the taxonomy's own DNSH criteria.
- Statnett's procedures are aligned with the EU taxonomy requirements for minimum safeguards.

EU Taxonomy Summary

Technical screening criteria								Minimum safeguards	Overall alignment
Substantial contribution	Do no significant harm (DNSH)								
	Climate mitigation	Climate adaptation	Sustainable water	Circular economy	Pollution prevention	Biodiversity protection			
4.9 Transmission and distribution of electricity - NACE code: D35.12								✓	✓
✓	Climate mitigation	N/A	✓	N/A	✓	✓	✓		

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = —

Detailed analysis

Minimum safeguards

Analytical focus

Our assessment focuses on how the issuer meets the four core topics of the minimum safeguards following the Platform on Sustainable Finance's recommendations:

- Human rights, including workers' rights;
- bribery/corruption;
- taxation; and
- fair competition.

Opinion

Aligned

Not aligned

Rationale

We consider the issuer to be aligned with the EU taxonomy requirements for minimum safeguards.

Statnett reports under the Norway Transparency Act, which requires companies to make sure human rights and decent working conditions are respected in their operations and supply chains. Norway and three other European countries have adopted the national level mandatory human rights due diligence legislation, which draws on the UN guiding principles on business and human rights (UNGPs) and The Organisation for Economic Co-operation and Development multinational enterprises (OECD) Multinational Enterprises (MNE) guidelines. According to the Platform on Sustainable Finance, this law has some potential overlap with Article 18 requirements, which deal with minimum safeguards. After analyzing the publicly available information and that provided by Statnett, in our opinion the issuer has

implemented due diligence in line with the minimum safeguard requirements.

Following this law, based on the issuer's public due diligence statement, the company considers the entire value chain and has mapped potential human rights violation risks both for its internal employees as well as employees in the supply chain, the guidelines of which are clearly laid out in the Code of Conduct and Suppliers Code of Conduct, approved by the board of directors and implemented across internal processes. We understand that indigenous people's rights and supplier monitoring are considered priority areas in the due diligence statements. Statnett conducts country and product risk assessments as part of its procurement process and carries out third-party-integrity due-diligence assessments to comply with public procurement rules. The company sets minimum pay and working condition requirements in its contracts and requires main suppliers to belong to an external qualification scheme for the energy and utilities sectors. Statnett conducts internal audits of suppliers and applies sanctions, penalties, and exclusions in the event of significant breaches. It works with various stakeholders including indigenous communities to ensure their interests are appropriately integrated into the decision-making process.

Statnett has established internal controls to detect and prevent bribery and corruption. In 2023 it established separate ethics and whistleblowing committees. This is in addition to the anonymous whistleblowing channel that forms part of the Code of Conduct and Supplier Code of Conduct. Violations of guidelines are followed up by the Ethical Ombudsman, which received 46 enquiries in 2022 (58 in 2021) relating to working conditions, business ethics, and anti-corruption. We understand the cases were properly handled. The company, along with giving all new employees an introduction to the ethical guidelines, is developing mandatory training for all employees. Statnett has said it is working on updating its Code of Conduct and the aforementioned training will cover it.

Furthermore, Statnett is governed by the Norwegian tax jurisdiction and, despite being 100% owned by the state, is subject to the same tax rules as other private companies in Norway. According to the issuer, taxation compliance is organized under the Chief Financial Officer and the audit committee acts as a case-preparatory body in relation to the board's administrative and oversight tasks in selected fields such as financial reporting, including tax.

Regarding the minimum safeguard fair competition aspect, Statnett benefits from a monopoly position as Norway's sole electricity TSO. The issuer also has internal processes to build employee awareness of the importance of compliance with all applicable competition law and regulations. It conducts training sessions for senior managers in relation to competition issues.

Based on external sources, following the European Commission's Platform on Sustainable Finance's recommendations on minimum safeguards, and the issuer's confirmation, we have not seen the issuer being convicted of violating any of the four minimum safeguards.

Economic activity:	4.9 Transmission and distribution of electricity	
NACE code:	D35.12	
Analytical focus	Opinion	Rationale

Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria.

Aligned
Not aligned

We consider the issuer's activity of the transmission and distribution of electricity as aligned with the TSC for a substantial contribution to the EU's climate mitigation objective.

The issuer's eligible projects described in the framework are considered enabling activities that meet the substantial contribution TSC. Specifically:

- The construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100 g CO₂e/kWh measured on a life cycle basis to a substation or network.
- The construction/installation and operation of equipment and infrastructure where the main objective is an increase in the generation or use of renewable electricity generation.
- The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria:
 - the system is an interconnected European system, that is, in the interconnected control areas of EU member states, Norway, Switzerland, and the U.K., and its subordinated systems;
 - more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100g CO₂e/kWh measured on a life cycle basis under electricity generation criteria, over a rolling five-year period; and/or
 - 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 100 g CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.
- Construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant under the EU Taxonomy
- Installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources, including:
 - sensors and measurement tools (including meteorological sensors for forecasting renewable production); and
 - communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralized renewable infeed.)

Finally, in line with the TSC requirements, the issuer excludes:

- the infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse-gas-emissions intensive than 100g CO₂e/kWh, measured on a life cycle basis; and
- the installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944. The issuer informed us that it operates at a much higher voltage than local distribution companies and with only a

few large industrial end-consumers--for which the issuer would indeed have compliant metering installed.

Our assessment is focused on how the activity meets the **does not significantly harm** other EU objectives' technical screening criteria.

Aligned
Not aligned

We consider the issuer's transmission and distribution of electricity as aligned with the DNSH TSC for all remaining and applicable EU objectives.

According to the EU taxonomy requirements, the relevant DNSH areas for this activity are climate adaptation, circular economy, pollution prevention, and biodiversity.

Statnett conducted a robust analysis of potential physical climate impacts on its activities toward the end of this century using scenarios such as IPCC's RCP4.5 and RCP8.5 and other global climate models. The climate risk and vulnerability analysis (CRVA) assesses potential disruptions to Statnett's activities from atmospheric icing, salt deposition on insulators, snow accumulation, avalanches, and loose mass avalanches, as well as parameters such as temperature, precipitation, and wind.

This analysis was conducted in collaboration with Norway's Meteorological Institute, the Norwegian Geotechnical Institute, and the Norwegian Directorate of Water Resources and Energy, and published under the title "The importance of climate change for Statnett's transmission facilities." It is publicly available, which we believe is a strong practice as it provides transparency to investors. Additionally, for both existing and future projects, in addition to the CRVA, the issuer implements requirements for safety against natural hazards for the expected lifespan of plant components, in accordance with external regulations issued by relevant sector authorities.

As a result of the CRVA, Statnett is implementing adaptation solutions such as avalanche foundations and towers engineered to withstand extreme events triggered by wind or ice effects. The issuer is also adjusting routes and pylon heights to align with known bird migrations where possible. In areas where there is a high risk of collision with vulnerable bird species, Statnett installs bird deflectors and includes topline in the cable. All these actions align with the requirements of the EU taxonomy's TSC to avoid harm to the climate adaptation objective.

In line with the circular economy requirements outlined in the DNSH criteria, the company has a framework agreement for waste management where it plans and manages its waste through contractual agreements with third parties, ensuring that components can be classified, especially hazardous waste. The company's processes aim to ensure that the maximum amount possible can be reused as natural resources or energy sources.

Regarding pollution prevention under the DNSH criteria, Statnett states that its assets comply with the IFC's HSE guidelines as they adhere to Norwegian legislation, including AML, IKF, and BHF, as well as the basic requirements of ISO 55001 and 14001. Additionally, concerning the requirement related to electromagnetic fields, the issuer meets the criteria by following the provisions of the Norwegian Radiation Protection Regulations and the authorities' advice on caution and good practice. And as required by the TSC, Statnett does not use PCBs (polychlorinated biphenyls), in compliance with national regulations.

Finally, regarding the biodiversity DNSH, we believe the issuer meets the TSC by conducting EIAs for all major developments in accordance with Directive 2011/92/EU334, including compensation measures. New power lines exceeding 132 kV and 15 kilometers are subject to impact assessment regulations. This entails notification and an evaluation based on an EIA program established by the Norwegian Water Resources and Energy

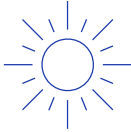


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Directorate, which also regulates projects in connection with protected areas and other valuable areas. Statnett always seeks to avoid valuable areas, but the authorities ultimately decide where Statnett can build.

Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable Energy	   <p data-bbox="451 751 646 814">7. Affordable and clean energy*</p> <p data-bbox="683 751 852 835">9. Industry, innovation and infrastructure*</p> <p data-bbox="883 751 1084 781">13. Climate action</p>

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- [Analytical Approach: Second Party Opinions: Use of Proceeds](#), July 27, 2023
- [FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions](#), July 27, 2023
- [Analytical Approach: Shades of Green Assessments](#), July 27, 2023
- [S&P Global Ratings ESG Materiality Maps](#), July 20, 2022

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