

# SFE Green Bond framework

May 2018

## BACKGROUND

Sogn og Fjordane Energi AS (SFE) is a regional energy group located in the county of Sogn og Fjordane in Norway with three business areas. These are energy production, transmission grid and energy retail. Ownership of SFE is distributed among the county of Sogn og Fjordane (49.56%), BKK (36.83%) and the remaining ownership is divided between seven local municipalities.

SFE's annual turnover is approximately 1.3 billion NOK, the total number of employees is 258 and the energy production is 1.9TWh. SFE Nett (distribution grid) has a customer base of 24 000, and the extension of the grid is 4 000 km.

SFE has an ambition to maintain and develop clean renewable energy with zero greenhouse gas emissions, and to have power production that is environmentally sound, as well as technically and economically efficient.

This Green Bonds Framework is developed in alignment with the Green Bond Principles 2017<sup>1</sup>.

## USE OF PROCEEDS

**Eligible Projects**” means a selected pool of projects in Norway funded, in whole or in part, by SFE.

GBP category	Eligible Projects
Renewable energy	Hydro power and wind power and related infrastructure
Energy efficiency	Connection of renewable energy to transmission networks, upgrading of transmission and distribution networks and smart grids

SFE Green Bonds will not finance nuclear or fossil energy generation projects.

SFE 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 refinancing will be included in SFE's annual Green Bond Investor Letter (see below).

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<sup>1</sup> See International Capital Market Association, ICMA:

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

## **PROCESS FOR PROJECT EVALUATION AND SELECTION**

Eligible Projects are selected by [to be decided but usually issuers create a committee consisting of representatives from the Treasury, Finance and Environmental functions (or CSR department) where the latter may have a veto or the selection is based on a consensus approach].

## **MANAGEMENT OF PROCEEDS**

An amount equal to the net proceeds of the issue of the Green bonds will be credited to an earmarked account that will support SFE's financing of Eligible Projects. So long as the Green Bonds are outstanding and the earmarked account has a positive balance, funds may be deducted from the earmarked account and added to SFE's Green Project portfolio in an amount up to all disbursements made during the relevant period in respect of financing and/or refinancing of Eligible Projects.

Proceeds yet to be allocated towards Eligible Assets will be placed in the liquidity reserves and managed as such.

## **REPORTING**

To enable investors to follow the development and to provide insight to prioritised areas SFE will provide an investor letter on an annual basis.

The investor letter will include

1. a list of Projects financed including a brief description and expected or actual impact where feasible
2. information on the allocation of Green Bond proceeds between new projects and refinancing as well as any unallocated balance outstanding
3. a summary of SFE's Green Bond development

It is SFE'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 SFE's internal compliance function. The Investor Letter and the opinion of the internal compliance function will be made publically available on SFE's website.

## **EXTERNAL REVIEW**

To secure alignment with national and international guidelines SFE has obtained an external second party opinion on the Green Bond framework. The second opinion is available on SFE's webpage.