



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Ellevio AB publ
12 May 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Finance Instruments
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)Green Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)EU Taxonomy Climate Delegated Act (as of June 2021)
Scope of verification	<ul style="list-style-type: none">Ellevio AB publ's Green Finance Framework (as of May 12, 2023)Ellevio AB publ's Eligibility Criteria (as of May 12, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged.

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SCOPE OF WORK

Ellevio AB publ (“the Issuer” or “Ellevio”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Ellevio’s Green Finance Framework (as of May 12, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the UN SDGs (See Annex 1).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2021)².
4. Linking the transaction(s) to Ellevio’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

ELLEVIO BUSINESS OVERVIEW


Ellevio AB is classified in the Gas and Electricity Network Operators industry, as per ISS ESG’s sector classification.

The company is one of the largest electricity network operators in Sweden. Ellevio AB is a public company headquartered in Stockholm. The company is owned by pension managers OMERS Infrastructure, Third Swedish national pension fund, Folksam, and AMF. In 2022, the company registered net sales of SEK 7535 million.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a “best efforts basis”.

² European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R2139>

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP/GLP	The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's Green Bond Principles and LMA's Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Issuance	<p>The Green Finance Instruments will (re-)finance the eligible asset categories which include:</p> <p>Renewable Energy - Electricity Transmission And Distribution Infrastructure.</p> <p>The product and/or service-related use of proceeds category contributes to the following SDG:</p> 	Positive
Part 3: Alignment with EU Taxonomy	<p>The Ellevio's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021), on a best-efforts basis⁴. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria ▪ Aligned with the Minimum Safeguards requirements 	
Part 4: Linking the transaction(s) to Ellevio's overall ESG profile	The key sustainability objectives and the rationale for issuing Green Finance Instruments are described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer	Consistent with Issuer's sustainability strategy

³ The evaluation is based on the Ellevio's Green Finance Framework (May 2023 version), and on the Indicative Corporate Rating applicable at the SPO delivery date.

⁴ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES AND LMA'S GREEN LOAN PRINCIPLES

This section evaluates the alignment of the Ellevio's Green Finance Framework (as of May 12, 2023) with the ICMA's Green Bond Principles (GBP) and LMA's Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Ellevio's Green Finance Framework is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the ICMA's Green Bond Principles and LMA's Green Loan Principles, Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and Environmental benefits are described.</p> <p>The issuer defines a look-back period of three years and exclusion criteria for harmful projects categories, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Ellevio's Green Finance Framework is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The issuer clearly defines responsibilities in the process for project evaluation and selection, is transparent about it and involves various stakeholders in this process, which is in line with best market practice. They also identify alignment of their Green Bond framework and their green projects with official or market-wide taxonomies and reference any green standards or certifications used, in line with best marked practice</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds proposed by Ellevio’s Green Finance Framework is aligned with the ICMA’s Green Bond Principles and LMA’s Green Loan Principles.</p> <p>The net proceeds collected will be less than or equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The issuer has defined an expected allocation period of 12 months, in line with best market practices.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Ellevio’s Green Finance Framework is aligned with the ICMA’s Green Bond Principles and LMA’s Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Ellevio explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The issuer is transparent on the level of impact reporting, on the information reported in the impact report and defines the reporting frequency of the impact reporting and the duration of the impact reporting in line with best market practice. The issuer discloses the location and link of the report and commits to get the allocation report audited by an external party, in line with best market practices.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.


1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 3-point scale (see Annex 1 for methodology):

Obstruction	No Net Impact	Contribution
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Each of the Green Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy - Electricity transmission and distribution infrastructure:</p> <p><i>Transmission and distribution infrastructure or equipment in an electricity system that complies with at least one of the following criteria:</i></p> <ul style="list-style-type: none"> ▪ <i>The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems</i> ▪ <i>More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period</i> ▪ <i>The average system grid emission factor, calculated as the total annual emissions from power generation connected to the system, divided by the total amount net electricity production in that system, is below the threshold value of 100gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period</i> 	Contribution	

⁵ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

PART III: ALIGNMENT OF THE GREEN FINANCE INSTRUMENTS WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of Ellevio's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project category has been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act⁶ (June 2021), based on information provided by Ellevio. Where Ellevio's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Ellevio's project selection criteria overlap with the following economic activity in the EU Taxonomy:



4.9 Transmission and Distribution of Electricity

All projects financed under the Green Finance Framework are and will be located in Sweden.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

⁶ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R2139>

a) 4.9 - Transmission and distribution of electricity

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁷	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>Ellevio's transmission and distribution infrastructure or equipment is an electricity system that complies with criteria (a) the system is the interconnected European system, (b) more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period and (c) 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 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. Ellevio also commits to comply with criteria (c) in the future.</p> <p>Ellevio's confirms that 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 intensive than 100 gCO₂e/kWh measured on a life cycle basis as well as installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 are excluded.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
<p>In 2021, Ellevio has begun formalizing and clarifying its work on identifying and managing climate-related risks and opportunities from the perspectives of governance, strategy, risk management and measurement values and goals. Identification and assessment of risks has been carried out through a number of internal workshops and analyzes with the help of internal experts from e.g. operation and maintenance, facilities, network planning, technical development, responsible for KRAN and RSA (critical plant parts and risk and vulnerability analysis), risk controlling, and sustainability. The report “The impact of climate change on the electricity network” from Energiforsk (2021) has been used as a source for this climate risk and vulnerability analysis. In addition, reconciliations have been made with other electricity network owners, for example Swedish National Grid (Svenska kraftnät) and Vattenfall Eldistribution. The physical climate risks identified as the most important for Ellevio’s electricity network include floods, fires, extreme temperature, lightning and strong winds. Ellevio's infrastructure is in general built to last up to 50 years, and the climate risk assessment has been performed taking this into account. Ellevio assessed the above mentioned risks assuming Energiforsk’s scenario of a temperature increase of</p>	

⁷ This column is based on input provided by the Issuer.

1.5 degrees, whereby Sweden's climate is expected to be impacted sometime between the next 10 and 30 years.

Ellevio has made an overall, general climate risk and vulnerability assessment to assess the materiality of the physical climate risks, in 2021-2022. Based on the potential consequences of climate change for the electricity grids, Ellevio made assessments of whether and how the technical infrastructure in its facilities may be affected and what measures may be required. The assessments have been done for different kinds of assets (facilities and electrical installations) in its grid, namely Overheadlines (local and regional grid), cables, network sub-stations, distribution sub-stations, and technology sheds and communication networks. All assets have been evaluated according to temperature-, wind-, water- and solid mass-related hazards. At least each 5 years, Ellevio will update this general climate risk and vulnerability assessment to take into account possible new climate scenarios and new risks.

Through active management, Ellevio ensures the correct prioritisation of grid investments and maintenance and reduces risks associated with weather-related events. Weather-proofing linked to strong winds and hanging ice and snow has long been conducted by burying power lines. The risk of trees falling on lines is also reduced through continuous clearing of power lanes and trees lining them. When it comes to fire risk, power lines are mapped based on the risk of being knocked out in fires.

In 2021, Ellevio analysed all network stations, based on Maps and GIS-data from The Swedish Civil Contingencies Agency (MSB), in order to identify possible risk locations and include findings in reinvestment planning. To avoid redundant lines being affected by the same fire, new construction and upgrades are planned with this aspect in mind. To avoid floods, active work is being carried out to enable substations to be built in safe places, such as at higher altitudes. By installing automatic pumps with sensors, level gauges and alarm functions, the risk of flooding in transformer pits that could lead to leakage of contaminated water or damage to equipment is reduced. For safeguarding of electric equipment and batteries within sub-stations, the sub-stations are being equipped with temperature-regulating equipment to avoid overheating. Furthermore, all projects over SEK 5 million (local and regional grids) undergo an internal sustainability analysis, which includes a climate risk analysis, before an investment decision can be taken. For other projects risks related to extreme weather and climate change are covered through an environmental plan risk analysis. For both the internal sustainability analysis and the environmental plan risks like floods, water intrusion, landslides, and extreme weather phenomena are evaluated. In Ellevio's Business plan for 2022-2027, Power Outage due to weather conditions is also a part of Ellevio's risk matrix.

Ellevio's climate adaptation measures will be adapted to other relevant interests and other local, sectoral, regional or national adaptation strategies and adaptation plans. Many of Ellevio's projects and measures require consultation, permission or notification to the county administrative board or municipality. Legal aspects also require Ellevio to maintain consultation with any affected stakeholders.

3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA

N/A: there are no EU Taxonomy criteria for the category

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

Ellevio operates under a Board approved Sustainability Policy, where environmental responsibility is one of the three components and involves ensuring that the company employs various activities to reduce its impact on the environment and biological diversity by, among others, employing the principles of the waste hierarchy to minimize waste and to enable the transition to a circular economy.

Ellevio's operations generate waste, both in project and maintenance operations and in the office-based operations. Ellevio has ensured that processes, procedures, agreements and plans for waste management are in place to achieve maximum reuse or recycling at the end of the life cycle. To describe these processes, procedures, agreements and plans for waste management, a separate overall plan for Ellevio's waste management has been compiled.

In particular Ellevio's investment projects, maintenance operations and customer-related services are procured and carried out by contractors and suppliers. Waste management is handled by the contractors, according to Ellevio-specific requirements, and the waste hierarchy, which is integrated in Swedish Environmental code (SFS 2016:782) since 2016.

When procuring, extensive environmental requirements are set for qualification of the contractors. In the agreement with the selected contractor, all requirements for the assignment are made clear, including those concerning waste management.

When reinvesting in facilities and electrical installations, when all or parts of the facilities/installations are to be demolished, Ellevio identifies equipment that has a residual value. In these cases, this equipment or these plant parts are reused in a new plant or kept in stock for use in future plants, including as standby stock. Ellevio has a technical instruction that describes which criteria must be met for strategically reusable material. This issue is also then regulated in the agreements with contractors. In other cases, an agreement allows the contractor to sell the equipment or parts, which then gives a return income. End-of-life transformers contain valuable copper, for example, and overhead lines and cables contain aluminium. The value of the material, together with the strict Swedish waste legislation that enforces the waste hierarchy, ensure good recycling at the end of the life cycle. Creosote poles are hazardous waste, so incineration is the only option when the pole is used up. Cable drums are circulated for reuse through a deposit system.



5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Ellevio has a certified environmental management system (ISO14001), which means that environmental aspects and risks as well as environmental legislation are managed and followed up systematically. In line with Ellevio’s environmental plan, environmental aspects and risks are evaluated for projects at the planning stage, with initial measures drawn up. Potential location-specific measures are also included in the environmental plan. Overhead line projects are carried out by procured contractors. To ensure these contractors comply with laws and other requirements and have robust environmental management, they are required to have environmental management systems that include all relevant aspects. This is checked at the contractor qualifications stage in the beginning of the procurement process and during the contract execution by audits made by Ellevio (flying audits and extensive EHS-audits, which both take into account environmental management).

With regards to applicable standards and regulations to limit the effects of electromagnetic radiation on human health, the Council recommendations on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz) have been implemented in Swedish legislation through the Swedish Radiation Safety Authority's general advice (SSMFS 2008:18), with which Ellevio complies for both new and existing power lines. Further Sweden complies with Directive 2013/35/EU on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (electromagnetic fields) Ellevio does not operate in or finance overground high voltage lines in third countries.

Since usage of polychlorinated biphenyls (PCBs) has been banned in 1978, Ellevio has not introduced PCBs in its operations⁸ and therefore will also not be used it in the eligible projects to be funded.



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

Ellevio only has assets in Sweden, where the EU Directive EU Directive 2011/92/EU, as amended by the EU Directive 2014/52/EU, is integrated in national legislation under the Swedish Environmental Code. Ellevio complies with the Swedish Electricity Act and the Environmental Code and produces the required environmental impact assessments. Ellevio also carries out “12:6 consultations” (referring to Chapter 12, Section 6 of the Swedish Environmental Code) for other projects at risk of making significant changes to the natural environment.

Damage-mitigating measures are described in the environmental impact assessments and are implemented accordingly based on Ellevio's planning. Ellevio summarizes the required risk mitigation and compensation measures from the EIA in the project-specific environmental plan, which goes on to the contractor in procurement. The




⁸ Ellevio has historically had pressurized oil cables, which could contain PCB, but these cables have all been put out of service, and decommissioned. From a 2008 inventory Ellevio identified that in 2 out of nearly 25000 facilities PCB was still present, these two facilities (built in the years 1956 - 1973) have been listed for reinvestment at the latest 31/12 2026. Ellevio has robust procedures in place to test, handle, eradicate and scrap PCBs.

contractor draws up its own environmental plan, which will build on Ellevio's environmental plan. The contractor's environmental plan is reviewed by Ellevio at the kick-off meeting to ensure that issues are addressed. Ellevio's project managers, or in some cases also environmental coordinators/KMA resources in the field, then follow up the environmental plan and measures. Contractors are also followed up in Ellevio's audits (flying audits and EHS-audits).

For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), the appropriate assessments are conducted in accordance with the Habitats and Bird directives (1992/43/EEC and 2009/147/EC) and the necessary mitigation measures are implemented.

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation⁹ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ¹⁰	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Ellevio has adopted and embedded a commitment to Human rights due diligence into company policies & procedures. Ellevio's Code of Conduct and Code of Conduct for suppliers and partners clarify Ellevio's commitment to human rights. In 2022 Code of Conduct, Ellevio commits to respect human rights, employees' rights, international labour law rules and environmental and anti-corruption practices in accordance with the UN Universal Declaration of Human Rights, International Labour Organisation (ILO) conventions and the UN Global Compact's ten principles. Ellevio's Code of Conduct for suppliers and partners sets the minimum level for its suppliers regarding human rights, workers' rights (incl. the ILO's core conventions), anti-corruption and the environment. The procurement legislation's/LUF's exclusion criteria also regulate that Ellevio must not enter into agreements with companies that grossly violate human rights.</p> <p>Ellevio states that critical areas and risks to human rights have been mapped and its potential impact has been assessed, with measures to mitigate such risks identified in the process. Sources such as customer complaints, dialogues with affected communities, audits and reported non-conformities from suppliers and contractors, dialogues with unions and work environment organisation, and Ellevio's whistle-blowing function are used to identify adverse impacts. For landowners and other stakeholders in local communities affected by Ellevio activities, the Issuer has</p>	

⁹ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32021R2139>

¹⁰ This column is based on input provided by the Issuer.

established processes for consultation, complaints and compensation mechanisms based on the Swedish Land Survey Authority's practice, as well as agreement templates common to the sector (developed by cooperation with Swedenergy). For customers, there is the Ellevio customer service team and a customer care team that handles complaints and claims. Due to its status as a monopoly, the electricity network industry has very clear rules on equal treatment (Swedenergy has common guidelines and agreement templates to ensure equal treatment). Ellevio also has a whistleblowing function for employees and internal consultants, and other parties can also report potential deviations anonymously. For employees, there are also Ellevio's HR processes, including the Equal Treatment Plan, Work Environment Organization, Trade Union Cooperation, Occupational Health Care and Rehabilitation and processes for handling work injuries and incidents. Supply chains risks for workers' health and safety at Ellevio's facilities and construction sites, is an area where risk analyses are conducted in the very start of the project (planning phase) and ongoing throughout the project, with measures taken to reduce risks, both by Ellevio and the contractor to achieve Ellevio "Zero vision" when it comes to accidents. Supply chains in countries other than Sweden are assessed and handled, mainly when it comes to first tier suppliers, but the suppliers' own procedures for qualifying and selecting their sub suppliers are also checked.

The reporting done on Ellevio's Annual & Sustainability Report in the areas of responsible supply chains, local dialogue and environmental considerations, healthy and safe workplace and attractive employer includes KPIs that describe how Ellevio follows up its work on social sustainability and human rights. Ellevio has reported no cases that could be considered human rights violations in 2022.

PART IV: LINKING THE TRANSACTIONS TO ELLEVIO'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH ELLEVIO'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Ellevio has a sustainability strategy based on three strategic focus areas. Within those focus areas, the company has set significant sustainability aspects. Those goals and aspects are structured as follows:

1. The electricity system of tomorrow and climate-smart energy solutions
 - Security of supply
 - Affordable electricity supply
 - Reduce climate impact
2. Operational excellence
 - Business ethics and anti-corruption
 - Responsible supply chain
 - Local dialogue and environmental considerations
 - Biodiversity
3. The employees of the future
 - Attractive employer
 - Health and safety

Ellevio is focusing on limiting their own carbon footprint by actively working to reduce their operations' negative climate impact both directly and indirectly. The set targets to reduce the GHG emissions within scopes 1, 2 and 3 of their operation are the following:

1. Target: Electric vehicles and machinery by 2030
 - a. All proprietary new work vehicles electric (exception: some emergency vehicles)
 - b. All carried out contracts use electric vehicles/machinery (limited cases of fossil-free fuel)
2. Reduction of accumulated network losses
3. Target: Carbon footprint in scopes 1 and 2 to a maximum of 613 tonnes of CO₂e by 2027
4. Target: Leakage of SF₆ to not exceed 25 kg by 2027

Ellevio strives to establish a high level of business ethics, with zero tolerance for corruption and the same strict demands placed on suppliers and partners that they place on themselves. Through dialogue with local communities, Ellevio wants to increase acceptance of and confidence in their operations and the investments required. At a local level, Ellevio aims at promoting biodiversity and the protection of natural environments.

The targets and goals from Ellevio are published annually in a sustainability report. In the report the company is elaborating on the tools and action plans in place to improve their business strategy within the set strategic focus areas. The sustainability report also entails Ellevio's GRI index.

Ellevio is part of the industry alliances Elektrifieringspakten¹¹ (engl.: “The Electrification pact”), Sthlmflex¹², Klimatkontrakt 2030¹³ (engl.: “Viable cities”) and, Startup4climate¹⁴.

To guide the Company’s sustainability work, Ellevio has a Board of Directors. According to the Articles of Association, the Board is to comprise of no less than three and no more than ten members, and no more than ten deputies. The shareholders’ agreement states that the shareholders nominate Directors based on the size of the ownership and that the Board shall consist of seven members, of which one is an independent chairman, and that the annual general meeting takes the final decision. All elected Board members are independent of the company and the company’s management. The Board appoints a sustainability committee. The sustainability committee that has an advisory function comprises members from both the Board and management.

In 2019, Ellevio launched a green bond framework with projects in the categories “renewable energy”, “energy efficiency enhancement”, “adaptation to climate change”, “protection of natural resources” and, “fossil-free transport”.

Rationale for issuance

Ellevio has established a green finance framework to be able to issue green finance instruments in the area of Renewable Energy (Electricity transmission and distribution infrastructure) to finance and refinance projects which enable the transition to a low carbon and climate resilient economy. Ellevio strives to build a sustainable electricity system with orientation towards the future and to develop climate-smart energy services together with customers and partners.

By issuing green finance instruments, Ellevio will provide additional transparency around their funded projects and aims at promoting further investments into environmentally sustainable projects that will assist in reaching the targets set forth by the Paris Climate Agreement and the UN Sustainable Development Goals (UN SDGs).

Opinion: *The key sustainability objectives and the rationale for issuing Green Finance Instruments are described by the Issuer. The project category financed is in line with the sustainability objectives of the Issuer.*

¹¹ An initiative for clean (CO₂ free) transportation in Stockholm containing public and private entities (City of Stockholm, Scania, Volkswagen and Ellevio) who want to contribute to the speed up of electrification of the transport sector in the Stockholm metropolitan area. The initiative targets a fossil free transport sector in Stockholm by 2030.

¹² A development initiative including Svenska Kraftnät (TSO), Ellevio, Vattenfall Eldistribution and E.ON (DSOs and regional network operators) to create a market for flexibility of electricity capacity in the greater Stockholm area. The initiative targets to make better use of existing capacity in the network and to avoid lack of capacity in the net by creating a market for electricity customers to benefit from being more flexible when using electricity; <https://www.svk.se/sthlmflex>.

¹³ An initiative from cities in Sweden and in Europe to meet the 1,5-degree target. It is an agreement between cities, authorities and businesses to take concrete actions to mitigate climate change; <https://en.viablecities.se/klimatkontrakt-2030>.

¹⁴ An innovation competition in Europe within the energy sector. Ellevio in co-operation with other Swedish energy companies is the founder and sponsor of this initiative. The goal is to look for solutions that generate climate benefits and contribute to the UNs 1,5-degree target; <https://godel.se/startup4climate/>.

B. ELLEVIO'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Gas and Electricity Network Operators, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Protection of human rights and community outreach
Accessibility and reliability of energy supply
Promotion of a sustainable energy system
Environmentally safe operation of plants and infrastructure

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths, and points of attention¹⁵ have been identified:

STRENGTHS	POINTS OF ATTENTION
<p>The company has disclosed information regarding the implementation of Health and Safety aspects such as targets and objectives, programmes and training. Additionally, Ellevio has disclosed employee and contractor accident rates, and fatalities.</p> <p>The company has publicly disclosed the distribution losses of the network systems as a percentage of total energy entering the system.</p> <p>The company is a signatory of the United Nations Global Compact (UNGC).</p> <p>The company has publicly disclosed information regarding the reliability of the grid systems covering risk assessment, inspection, maintenance, average interruption of distribution network, and investment programs.</p>	

¹⁵ Please note that Ellevio is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Gas and Electricity Network Operators sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.


The company has disclosures regarding its position on climate change, greenhouse gas inventory, and some climate change mitigation and adaptation strategies. Additionally, it has disclosed a strategy to integrate renewable energy into the electricity distribution networks.

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.B of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the Issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer’s production process.

Social impact of the product portfolio:

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹⁶	DIRECTION OF IMPACT	UN SDGS
Supply of Energy to Residential Customers	30%	CONTRIBUTION	

Environmental impact of the product portfolio

The company operates electricity distribution lines in Sweden. The company’s product portfolio is primarily the distribution of electricity, and it has no positive or negative contribution to achieving environmental sustainability objectives. Thus, the impact of the company’s product portfolio on environmental Sustainable Development Goals is considered neutral.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Gas and Electricity Network Operators industry are as follows: Failure to mitigate climate change impacts, Failure to respect the right to life and Failure to respect the right to safe and healthy working conditions.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

¹⁶ Percentage provided in the table is an estimate for turnover of business segment.

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ANNEX 1: Methodology

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if Ellevio's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Ellevio (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Ellevio's Green Finance Instruments contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

Ellevio commissioned ICS to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the ICMA's Green Bond Principles and LMA's Green Loan Principles and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (GBP)
- LMA Green Loan Principles (GLP)
- EU Taxonomy Climate Delegated Act

ISSUER'S RESPONSIBILITY

Ellevio's responsibility was to provide information and documentation on:

- Green Finance Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Ellevio has been conducted based on a proprietary methodology and in line with the ICMA's Green Bond Principles and LMA's Green Loan Principles.

The engagement with Ellevio took place in April and May 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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For more information on this specific Green Finance Instruments SPO, please contact: SPOOperations@iss-esg.com

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