

# ELLEVIQ

Green Bond Framework  
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# 1. An introduction to Ellevio

**Ellevio AB publ (henceforth Ellevio)** is one of Sweden's largest electricity network companies, servicing close to one million customers. We manage regional and local distribution networks in Stockholm and in rural areas in the middle and western parts of Sweden. Our mission is to improve quality of life for our customers by providing a sustainable and reliable electricity network.

Ellevio's business is subject to the provisions of the Electricity Act. The public agency Swedish Energy Markets Inspectorate (EI) implements legislation and regulations as well as monitors to which extent we fulfil our mission.

## 1.1 Ellevio – enabling the transition to a climate neutral society

In June 2017, the Swedish Parliament decided by a large political majority to introduce a climate policy framework with a climate act for Sweden. By 2045, Sweden is to have zero net emissions of greenhouse gases into the atmosphere. This climate policy framework is the most important climate reform in Sweden's history and sets out the implementation of the Paris Agreement in Sweden.

Ellevio fully supports the climate reform and believes that the electricity networks will play an important role in enabling the needed transition into a climate neutral society. The transformation will require huge investments in the electricity networks. Ellevio intends to take a leading role in this transformation by ensuring reliable, efficient, flexible and smart distribution of electricity to our present and future customers.

## 1.2 Drivers in the electricity network market to future-proof Sweden

Stable and reliable supply of electricity is a prerequisite for the functioning of our society. Ellevio has to make adaptations to its networks to prepare for a future with more extreme weather caused by climate change. Other changes to society, including the electrification of the transport sector, digitisation, urbanisation and the change in mix and location of generation capacity, will also place new requirements on the electricity networks.

### **Electricity generation – increasingly local and renewable**

A major increase in the proportion of renewable energy sources is currently underway in Sweden in the form of new bio-fuels, solar- and wind power. In addition, decentralised, rural, small scale, renewable energy generation is gradually increasing, replacing large scale generation capacity, such as nuclear and fossil based electricity generation. Energy production from weather-dependent energy sources, such as solar and wind, is irregular. Therefore, electricity networks must be designed to better manage the fluctuating inflow from these sources.

### **Demographic changes impose new demands in cities and rural areas alike**

Major metropolitan areas, such as the Stockholm region, continue to grow whilst the population trend in many rural areas and smaller towns is negative. Demands of reliability everywhere in the country is increasing. These demographic changes place new demands on the national transmission networks, which will have to accommodate for the production of new homes, infrastructure and corporate establishments.

### **Electrification of the transport sector – an eagerly awaited development**

Electrification of the transport sector will be key if Sweden is to reach its target of zero net greenhouse gas emissions by 2045. There is need for further electrifying and expanding the public transport system, as well as the charging infrastructure for other types of electric vehicles. Electric vehicles present both an opportunity and a challenge to the network, as they will lead to increased need for capacity and load governance, and at the same time offer an opportunity for storage that could balance electricity consumption in the future.

### **Smart electricity networks – the clever, technology driven future of energy efficiency**

Smart networks, including information technology that gathers, relays, stores and analyses information from thousands of measurement points, provides prerequisite for the energy system to be managed more efficiently. They will make it possible to ensure that the right amount of electricity is produced and delivered where needed. Ellevio will provide its customers with the next generation of smart electricity meters. To further minimise the energy networks' negative impact on the environment, the reduction of grid losses has to become a priority.

### 1.3 Ellevio's sustainability approach

Ellevio views sustainability as a joint economic, social and environment responsibility. To live up to the high expectations within these areas, sustainability is an important part of our operations which is integrated into all decisions we make.

The business community has an important role in terms of achieving the UN's 17 Sustainable Development Goals, three of which are a particular focus to Ellevio, as we think that our skills, core operations and business strategies are most suited to support them; Goal 7 "Affordable and clean energy", Goal 9 "Industry, innovation and infrastructure" and Goal 5 "Gender Equality". We also believe that we can make meaningful contribution to Goal 11 "Sustainable Cities and Communities" and Goal 13 "Climate action".

Ellevio has set long term sustainability targets as well as initiated several sustainability initiatives. Information regarding these targets and initiatives can be found in Ellevio's annual reports<sup>1</sup> under the section Sustainability Management and Results.

This Green Bond Framework is aligned with the Green Bond Principles published in 2018 by the International Capital Markets Association. Recognising that the Green Bond market and best practices are still evolving, Ellevio will follow market developments and, when deemed necessary, make appropriate updates to this Green Bond Framework.

<sup>1</sup> Ellevio's annual reports are available on Ellevio's website [www.ellevio.se](http://www.ellevio.se)



*Our vision: To contribute to a bright and sustainable future through our commitment and expertise.*



## 1.4 Corporate sustainability governance

As sustainability is an inherent part of Ellevio's vision and one of Ellevio's strategic focus areas, there are processes in place for both external and internal sustainability governance.

In 2017, Ellevio became the first standalone electricity distribution operator to join the UN Global Compact, which covers the areas of human rights, labour law, environment and anti-corruption.

### **Sustainability work supported at the highest level**

The Board of Directors receives monthly progress reports of all our sustainability initiatives and plans. Activities are regularly reviewed and discussed in the Board and in the Sustainability Committee. The Sustainability Committee is one of four Ellevio Board committees. It is responsible for assessing health, safety, security and environmental strategies, compliance plans and action plans for Ellevio. Furthermore the committee responsibility is to recommend targets to above areas and to encourage greater awareness to improve performance.

Ellevio's Board of Directors has endorsed a Code of Conduct, which reflects the UN Global Compact's ten principles, and a Sustainability Policy. Together they form the basis for Ellevio's sustainability initiatives. Ellevio has an environmental management system certified in accordance with ISO 14001:2015. In addition, a number of policies and instructions that govern Ellevio's sustainability initiatives have been approved by Senior management, including:

- Policy for bio-diversity
- SF6 Policy
- Safety handbook
- Code of Conduct for suppliers
- Equal opportunity policy
- Anti-corruption policy
- Whistleblower policy

Ellevio promotes the health, safety, well-being and equality of employees and all others. Requirements are extended to include the whole supply chain to reduce the environmental impact and safeguard human rights and good working conditions for their employees. These requirements are established in a Code of Conduct applicable for suppliers.

### **All larger investments are subject to sustainability evaluations**

As part of our internal governance, all investments in excess of SEK 5 million (local networks) and SEK 10 million (regional networks) must pass a sustainability evaluation to ensure alignment with Ellevio's environmental targets and sustainability policy. This process ensures that every relevant sustainability aspect and risk (such as materials and construction method) are considered in the investment process. Each investment proposal is assessed based on its technical solution, profitability and sustainability. All approved investment decisions are documented and stored in a data base.

### **Regular environmental consequence descriptions**

As a regulated company, Ellevio is subject to environmental laws and codes, including a duty to submit environmental consequence descriptions (Miljökonsekvensbeskrivning) to EI so that the authority can assess the impact on environment and citizens health for investments into the network concession area.





## 2. Use of Proceeds












**Ellevio's Green Bonds will** provide funds for projects and assets with environmental benefits. Only such activities that comply with the list of Eligible Projects and Assets below will be deemed as eligible. Funds can be put towards the financing of new assets and projects as well as the refinancing of eligible projects and assets.

Ellevio is by law required to offer grid connections to all customers within its concession area. However, controversial projects, or such projects that connect nuclear power plants or large scale and fossil intensive industry will not be financed with green bond proceeds.





## Eligible Projects and Assets

Categories	Description of projects	UN SDG mapping
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Connect new sources of renewable energy generation to the electricity grid, including necessary adjustments to the existing grid to accommodate for it</li> <li>• Maintenance and development of existing connections of renewable generation to the electricity grid</li> </ul>	
<b>Energy Efficiencies</b>	<ul style="list-style-type: none"> <li>• Smart grid systems, including Automatic Meter Management</li> <li>• Strengthening of the electricity networks to reduce losses</li> </ul>	  
<b>Climate change adaptation</b>	<ul style="list-style-type: none"> <li>• Weather-proofing the electricity networks</li> </ul>	
<b>Protection and preservation of the natural living resources surrounding our grids</b>	<ul style="list-style-type: none"> <li>• Maintenance of the area immediately surrounding our grids</li> <li>• Research the environmental effects of the grids to identify areas of particular sensitivity and develop maintenance plans for their protection, including species especially affected</li> <li>• Installation of environmental- and biodiversity friendly network infrastructure, including choice of materials</li> </ul>	  
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>• Charging infrastructure for electric vehicles</li> <li>• Capacity investments to enable the electrification of the transport system (including subway, train, busses etc)</li> </ul>	  



### 3. Process for Project Evaluation & Selection

As previously described in this framework, all larger investments are subject to a thorough sustainability evaluation as part of the investment approval process. From that pool, the Head of Sustainability will, in co-operation with the Investment Controllers select and present those relevant to Ellevio's Sustainable Investments Committee<sup>2</sup> for approval. The Committee will select projects and assets compliant with the eligibility criteria as outlines in the Use of Proceeds section of this framework. The result will be the Eligible Green Project and Asset Portfolio.

Database of all approved investments

Screening for accordance with the eligible projects and assets criteria in Ellevio Green Bond Framework

Short list of projects and assets to be presented to the Sustainable Investments Committee

Decision by the Sustainable Investments Committee of eligible projects and assets

Eligible Green Project and Asset Portfolio

#### The Sustainable Investments Committee will:

- Ensure that investments are in line with all relevant internal policies and guiding documents, including the Code of Conduct and the Sustainability policy
- Be responsible for any potential oversight of the Eligibility Criteria dependent on future market developments
- Make all of its decisions concerning additions to the Eligible Green Project and Asset Portfolio in consensus
- Document and keep a record of all decisions concerning additions to the Eligible Green Project and Asset Portfolio
- Meet no less than twice yearly

<sup>2</sup> The Committee comprises of the CEO, Head of Asset Management and Design and Head of Sustainability.

## 4. Management of Proceeds

**An amount equal to the net proceeds of the** Green Bonds will be credited to a separate bank account ("The Green Account"). The treasury team will be responsible for deducting funds equal to those used for the eligible projects and assets, as per instructions from the Sustainable Investments Committee.

Ellevio will ensure that the total balance of green investments and expenditures always exceeds the total balance of all outstanding Green Bonds. Should a project or asset cease to fulfil the eligibility criteria during the lifetime of any Green Bond, Ellevio will remove it from the Eligible Green Project Portfolio and replace it as necessary.

Until all net proceeds from Green Bonds have been allocated eligible green projects and assets, the balance of the Green Account will be managed according to Ellevio's liquidity and liability management processed based on our financial policy.





## 5. Reporting and impact

An investor letter will be published annually on Ellevio's website<sup>3</sup> for investors and other stakeholders to receive more detailed information regarding allocation and impact of Green projects and assets funded.

### 5.1 Allocation

To the extent possible, Ellevio will provide:

- A list of all approved eligible assets and projects, including amounts allocated
- Descriptions of key projects financed by the Green Bond
- Amounts invested in each category as defined in the Use of Proceeds section of this Green Bond Framework, as well as the relative share of new financing versus refinancing
- The balance of unallocated funds on "The Green Account"

### 5.2 Impact

Ellevio will strive to report on the actual environmental impact of the investments financed by means of Green Bonds. For ongoing investments in activities where final impact is not yet observable, Ellevio will provide an estimate.

The impact metrics selected include the following:

*Renewable energy*

- Total energy from renewable sources feeded in to Ellevio's Regional and Local grids (MWh)

*Energy efficiency*

- No. of smart meters installed (# of meters)
- Amount of yearly grid losses (MWh)

*Climate change adaptation*

- Security of Supply (SAIDI)
- Amount of weather proofed grid during the year and percentage of cabling rate in local networks (km)

*Environmentally sustainable management of living natural resources and land use*

- Decommission of oil-filled cables (km)
- Net decrease of creosote poles (# of poles)
- Accumulated surveyed power line corridors (km)

*Clean transportation*

- Reduction of CO2 equivalents for enabling charging at EV Charging stations

## 6. External Review

Ellevio has obtained a Second Opinion from Cicero to confirm this Green Bond Framework's alignment with the ICMA Green Bond Principles 2018. The Second Opinion, together with this Green Bond Framework, is available on Ellevio's website.

<sup>3</sup> For as long as Ellevio has Green Bonds outstanding.

**ELLEVIO**

We bring electricity to you.

[www.ellevio.se](http://www.ellevio.se)