



Green Financing Framework

June 2023





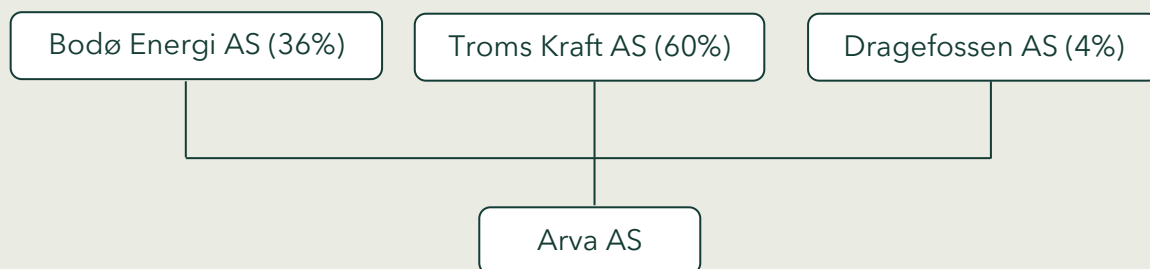
Together for an electric Northern Norway

The word Arva comes from Northern Sámi and means energy and willpower. Arva is one of Norway's largest distribution system operators (DSO) and builds, operates, renews, and maintains the power grid in large parts of Nordland and Troms. Arva's head office is located in Bodø.

About Arva

In April 2020, Troms Kraft and Bodø Energi announced merger negotiations for their DSOs Troms Kraft Nett and Nordlandsnett. Both DSOs were among the region's largest, and after the merger became Norway's sixth largest DSO. Troms Kraft holds 60% of the shares in Arva while Bodø Energi and Dragefossen hold 36% and 4% respectively.

As the largest DSO in Northern Norway, Arva has close to 220 employees, over 120,000 customers, and operates a network stretching over 15,000 kilometers. Arva is proud to have provided secure power supply in Nordland and Troms for more than 100 years, and aims at keeping its local values and culture.



Our mission

Arva aims to deliver a stable and secure power supply for the development of society in Northern Norway. We will continue the legacy of those who built the power network, and together with our customers and partners realize an electric future. Energy efficiency and a sustainable power supply are important for Arva, and we share knowledge about that with future generations.

Distribution of renewable energy

Arva plays a key role in the green transition in Northern Norway by increasing the distribution of renewable energy. In 2021, we distributed 5,427 GWh and invested NOK 605 million to maintain and expand our power network.

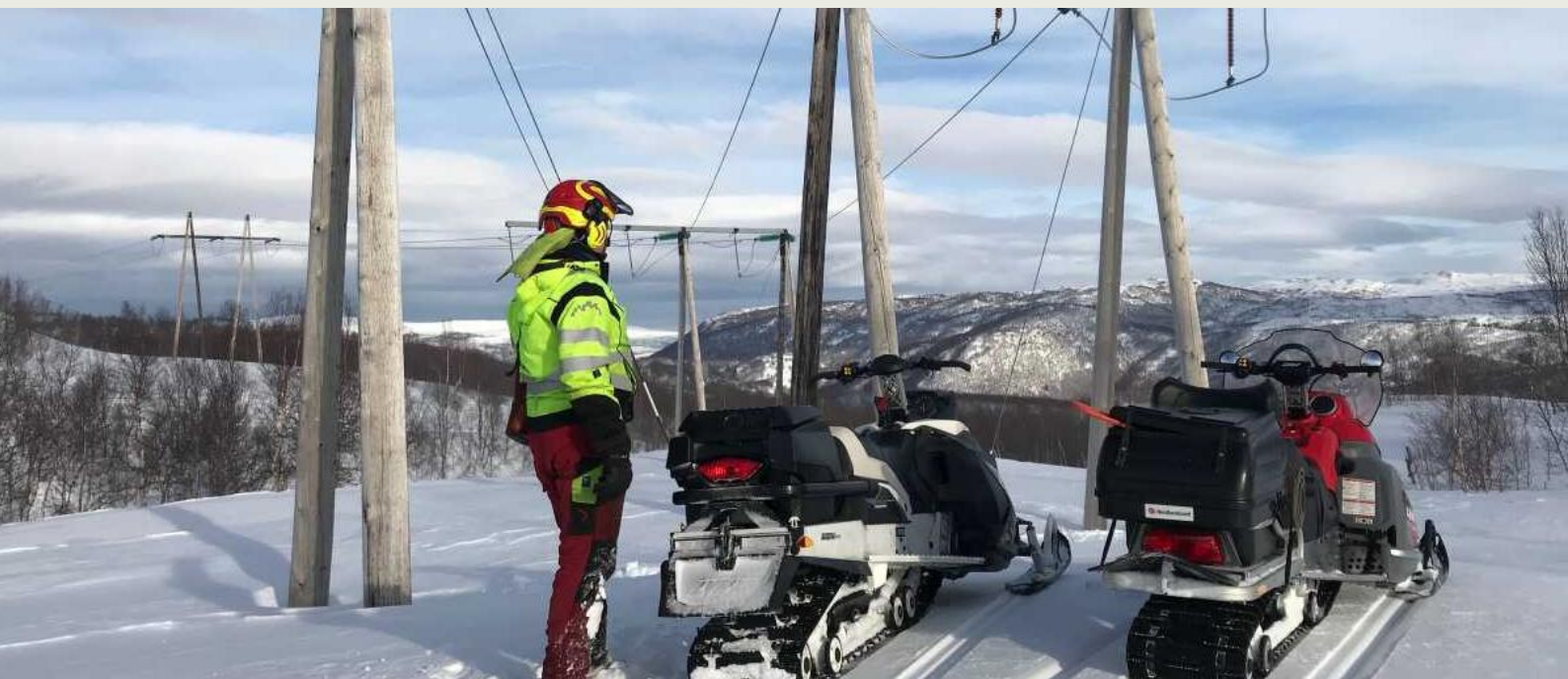
Reduction of greenhouse gas (GHG) emissions

Arva has both direct and indirect GHG emissions. In 2021 we established a baseline for scope 1, 2 and 3 emissions based the Greenhouse Gas Protocol. Our scope 1 emissions primarily include fuel consumption in operations and leakage of SF₆. Our scope 2 emissions, which make up the largest portion of our total emissions, primarily include electricity consumption in operations and grid losses. Our scope 3

emissions, as of now, include waste, hired helicopter services, and other transportation. We are working towards getting a complete picture of our scope 3 emissions together with our suppliers.

One of the largest sources of GHG emissions in Arva is network losses. Network losses are electrical losses in the power network which occur when transporting electrical energy and transforming between voltage levels. We must compensate for network losses by purchasing a corresponding amount of energy in the power market, which results in a climate footprint. The calculation is based on a location-based approach with a Nordic mix emission factor which entails a higher emission factor and therefore a higher emission calculation than using a purely Norwegian emission factor.

SF₆, or sulfur hexafluoride, is a common, artificially made insulating gas used in high voltage switches and appliances. SF₆ is one of the most harmful greenhouse gases. 1 kg of SF₆ is equally harmful as 22 tons of CO₂ emissions. There are small leaks in switches in our network that need to be replenished and it is this amount of SF₆ that is reported on. The supplier industry is working on alternatives to SF₆. In 2021, Arva purchased and installed our first SF₆-free switchgear for 132 kV voltage level at Kjelling transformer station, and we are investing in similar facilities including at Silsand transformer station in 2022.



Climate risk

Our facilities can be exposed to extreme weather risks related to climate change. Such incidents entail a risk of loss of assets, downtime, and increased costs for Arva. It also poses a risk of loss of reputation and trust among our customers, who may experience power supply outages. Our risk and vulnerability analyses include weather-related events, and we also contribute to regional analyses to ensure local preparedness and coordinate response. The transition to a zero-emission society creates high expectations to Arva in several areas and subsequent risk of not delivering on those. New requirements, but also new opportunities through technology will be important factors shaping our business going forward. Arva will continue to have climate-related risks on the agenda.

Impact on nature and biodiversity

The construction of new and maintenance of existing distribution power network can affect biodiversity and nature. Our projects are carried out in accordance with public requirements and in collaboration with landowners and various interest groups. Our goal is to map and minimize any negative consequences.

We aim at reducing the environmental footprint of our projects. For example, we have used composite poles in some projects as an alternative to creosote-impregnated poles. The latter is commonly used in power network as creosote impregnation contributes to increased life of wooden poles. At the same time, it contains substances that are harmful to health and the environment, which is why it is important to develop and assess alternatives.

Innovation for the green transition

Every year, Arva conducts several research and development projects together with research institutions, interest organizations, suppliers and other DSOs. In 2021, Arva's research efforts in NVE-approved projects amounted to NOK 4.4 million.

Innovation will be even more important going forward in the green transition. Given the demand for energy and the change of pace we encounter, it is important to utilize the power network in the most optimal way. We recognize that energy demand cannot only be satisfied with new power network developments. This provides us with an opportunity to develop new applications. Digitization related to AMS meters (Advanced Metering System) and new sensors in the network, as well as automation, are the core of these new applications. This will help reduce climate and nature impact as well as increase our efficiency and reduce power network fees for our customers.

UN Sustainable Development Goals

In 2015, all United Nations Member States came together and agreed on 17 Sustainable Development Goals (SDGs) to function as guide for countries and companies in developing their sustainability strategies. We have conducted a materiality analysis to map the most important sustainability areas for Arva and our stakeholders, as well as the extent to which we can influence the various areas. The analysis resulted in the following UN SDGs.



We depend on competent employees to develop the power network. New competence and new perspectives will be important for us to reach our goals.



We will facilitate that green energy produced in the region is available to society.



Our infrastructure is key to delivering a stable and secure power supply. We build, operate, renew, and maintain the power network in large parts of Nordland and Troms.



In our region, cities and communities can develop their industries in a sustainable direction thanks to access to electricity.



Expanding power networks has an environmental impact. Together with our suppliers, we use more environmentally friendly materials and reuse components in the network. We use modern technology to make better use of the power network.



Arva takes responsibility for electrifying the region and thus helps to reduce emissions.



Arva is a partner for industry, municipalities, academia, and other DSOs. Together we will find good solutions.

Framework Structure

As part of Arva's continued commitment to sustainability, a Green Financing Framework (the "Framework") has been developed. The structure of the Framework is developed to be in line with both the ICMA Green Bond Principles (GBP) 2021, as well as the LMA and APLMA Green Loan Principles (GLP) 2018, and therefore consists of the four key pillars and recommended External Review component.

1. Use of proceeds
2. Selection and evaluation of eligible projects
3. Management of proceeds
4. Reporting
5. External review

It is Arva's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develop and as the EU classification of environmentally sustainable economic activities (the Taxonomy) and the EU Green Bond Standard enter into force. Therefore, the Green Finance Framework for Arva may be amended and/or updated to reflect the changes in market practice.

Exclusions

Green Bonds and Loans net proceeds will not be allocated to projects for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Green Financing Framework

The International Capital Market Association (ICMA) Green Bond Principles (GBP) are a set of voluntary guidelines that recommend and promote transparency and disclosure. GBP promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. This Green Financing Framework is structured in alignment with the 2021 version of GBP. It is Arva's intention to follow best practices in the market as the standards develop and as such the Framework may be updated from time to time.

In addition to Green Finance Instruments issued by Arva in the capital market, the company may have Green Loans provided by lending institutions. As such, this framework is also structured in accordance with the 2021 LMA, APLMA and LSTA Green Loan Principles (GLP), and the same criteria for Eligible Assets specified in the Green Finance Framework applies for Green Loans. Green Loans taken by Arva may be provided by lending institutions that finance these by issuing Green Bonds. Arva will report the aggregate amount of Green Loans taken and specify each Eligible Asset that has been financed by a Green Loan in a separate section of the Green Finance Investor report.

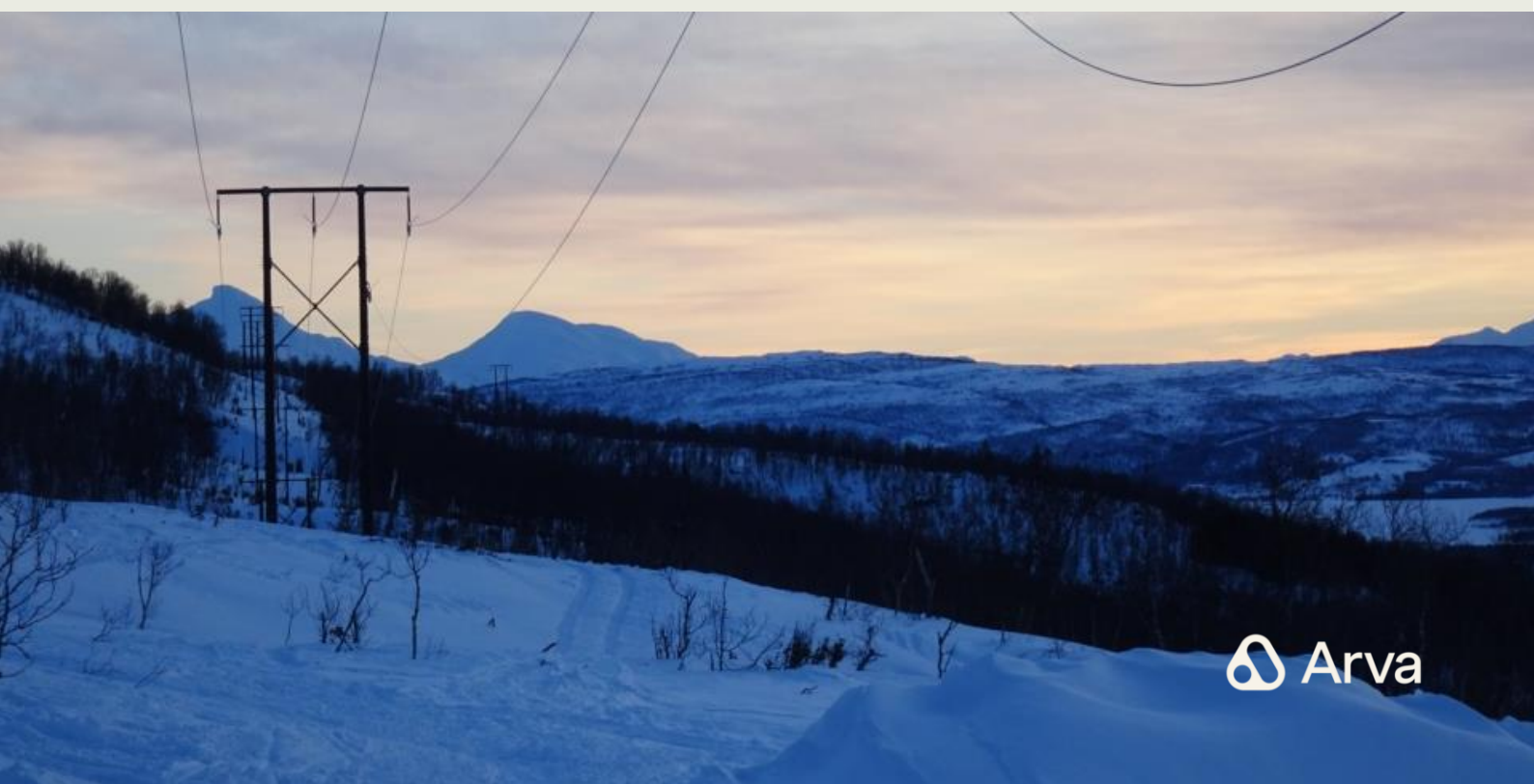


1. Use of proceeds

The net proceeds of the Green Bonds or Loans issued will be used to finance or re-finance Eligible Projects that have been evaluated and selected by Arva in accordance with this Green Financing Framework.

Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance. The table below will define the criteria for projects in which the relevant Issuers can spend Green Use of Proceeds under this framework. These projects will be defined as “Eligible Projects”.

Category	Eligible Projects	UN SDGs
Energy Efficiency – Power network	Construction and reconstruction of distribution networks to connect new renewable energy to the power network. Upgrading of transmission (includes both regional and national) and distribution networks to decrease losses and/or enhance transmission capacity for renewable energy. Development and construction of energy storage, energy recovery and smart power networks.	7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation 11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts
Energy Efficiency - Electrification	Support electrification of transportation, harbours, fish farming, fisheries, and fish processing.	7 AFFORDABLE AND CLEAN ENERGY Ensure access to affordable, reliable, sustainable and modern energy for all 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation 11 SUSTAINABLE CITIES AND COMMUNITIES Make cities and human settlements inclusive, safe, resilient and sustainable 13 CLIMATE ACTION Take urgent action to combat climate change and its impacts



2. Selection and evaluation of eligible projects

Arva has established a Green Finance Committee (GFC) to evaluate and select assets that are in line with the criteria set out in the use of proceeds section. The committee meets at least on an annual basis or when needed. The Green Finance Committee is comprised of representatives from Arva's "Innovation and Sustainability", "Network Strategy" and "Finance" functions.

The Green Finance Committee is responsible for:

Evaluating the compliance of proposed assets with the eligibility criteria outlined in the Use of Proceeds section above.

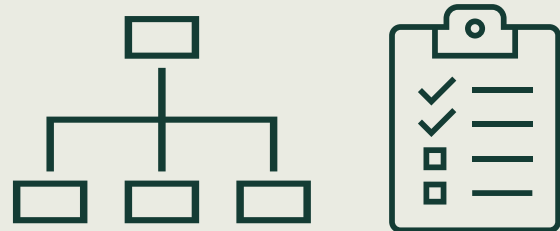
Ensuring that the pool of Eligible Assets is aligned with the categories and criteria as specified in the Use of Proceeds section.

Replacing investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.)

On a best effort basis, **reviewing and updating** the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Company's corporate strategy, technology and market developments.

3. Management of proceeds

Arva will establish a Green Financing Register with the purpose to monitor Eligible Projects financed by the Green Bonds and Loans issued by Arva as well as provide an overview of the allocation of the net proceeds from the Green Bonds and Loans issued to the respective Eligible Projects. The value of the Eligible Projects detailed in the Green Financing Register will at least equal the aggregate net proceeds of all outstanding Arva Green Bonds and Loans. There may be periods when the total outstanding net proceeds of Green Bonds and Loans exceed the value of the Eligible Projects in the Green Financing Register. Proceeds yet to be allocated towards Eligible Projects will be held in accordance with Arva liquidity management policy and managed as such. The Green Financing Register will form the basis for the impact reporting.



4. Reporting

To enable investors to follow the development and to provide insight to prioritized areas Arva will provide a Green Financing Investor Report on an annual basis. Arva intends to report on quantitative impact indicators where feasible and relevant data information is available. The Green Financing Investor Report will include the two following reports:

Allocation Reporting

1. A description of the portfolio of Eligible Assets;
2. Type of financing instruments utilized and respective outstanding amounts;
3. Information on the split between new financing and re-financing;
4. A list of Eligible Assets including the amounts allocated, including allocated and disbursed amounts per category and geographical distribution.

Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Assets financed under this Framework, based on Arva's financing share of each project. As Arva can finance large and small Eligible Assets in the same Project Category, impact reporting will, to some extent, be aggregated.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will

be on a best effort basis. The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the following table.

GBP Categories	Examples of impact indicators
Energy Efficiency	Increased gridline utilization (GWh / km) Qualitative explanation of projects financed with proceeds of green financing

5. External Review

Second party opinion (pre-issuance)

To secure alignment with national and international guidelines, Arva has engaged CICERO to act as an external verifier of this Green Financing Framework and the Eligible Projects.

Third-Party Review (post-issuance)

Arva has appointed an external independent auditor to annually assure that the selection process for the financing of Eligible Projects and that the allocation of the net proceeds of the Green Financing are done in accordance with Arva's Green Financing Framework.

Publicly Available Documents

The Green Financing Framework, the second party opinion, the third-party review, and the Green Financing Investor Report will be publicly available on Arva's website.

