

# Nord-Trøndelag Elektrisitetsverk Green Bonds

## DNV GL Second Party Opinion

### Scope and objectives

Nord-Trøndelag Elektrisitetsverk Holding AS (NTE)<sup>1</sup> is an energy utility company, owned by North Trøndelag County Council. NTE is issuing senior unsecured “Green Bonds” to re-finance one of its hydro power project; “Kraftverkene i Øvre Namsen”, which consists of four power plants (the “Assets”). The Assets are currently in operation and producing renewable electricity which is sold in the Nordic market.

NTE has commissioned DNV GL to provide an opinion, based on the Green Bond Principles<sup>2</sup> (GBP), in order to give external assurance to investors about the “green” integrity of the bonds.

DNV GL’s role has been two-fold: Firstly, we have developed a green bond framework based on the Green Bond Principles. Secondly, we have used the green bond framework to review the process and disclosure made in connection with the current bond issue and given an opinion as to whether NTE’s green bonds are consistent with the GBP.

No assurance is provided regarding the financial performance of the bonds or the value of any investments in the bonds. Our objective has been to provide assurance that the bonds have met the criteria established on the basis set out below.

### Responsibilities of the Directors of NTE and the assurance providers

The Directors of NTE have sole responsibility for ensuring that the conditions established by the criteria are met. Our statement represents an independent opinion and is intended to inform NTE management and investors in the ‘NTE Green Bonds’ as to whether the criteria have been met. In our work we have relied on the information and the facts and realities presented to us by NTE. DNV GL are not responsible for any aspect of the hydro power assets referred to in this opinion and cannot be held liable if estimates, findings, opinions or conclusions are incorrect.

### Basis of DNV GL opinion

#### Compliance with the Green Bond Principles

A GBP framework has been developed to establish a set of suitable criteria that can be used to show that NTE is meeting the Green Bond Principles in the re-financing of one of its existing hydro power projects. The criteria against which NTE and the Assets have been reviewed prior to inclusion in the NTE Green Bond portfolio are grouped under the four Green Bond Principles:

- **Principle One, Use of Proceeds**

The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.

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<sup>1</sup> The principal business services offered by NTE include: the production, distribution and sale of green and renewable energy; the supply of electrical installations; and sales of electrical consumer goods, broadband and external engineering contracting services. NTE’s core business is the production and distribution of electric energy, total annual production of 3,9 TWh per year. <http://www.nte.no/index.php/en/>

<sup>2</sup> The Green Bond Principles are a set of voluntary process guidelines for issuing green bonds, developed by 13 leading international banks and issued in January 2014. <http://www.ceres.org/resources/reports/green-bond-principles-2014-voluntary-process-guidelines-for-issuing-green-bonds>

- **Principle Two, Process for Project Evaluation and Selection**

The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.

- **Principle Three, Management of Proceeds**

The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.

- **Principle Four, Reporting**

The Reporting criteria are guided by the recommendation that at least annual reporting to the bond issuers should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

The work undertaken to form our opinion included:

- The development of suitable criteria and requirements corresponding to each of the four Green Bond Principles, in a “GBP framework”
- A review against the GBP framework of documentary evidence provided by NTE and its advisors on the bonds, the assets to be included in the bonds and NTE.
- Interviews with selected NTE employees
- Assessment and findings identified in a “GBP Protocol” made available to NTE. The conclusion taken from this protocol is repeated below.

### Findings and DNV GL opinion

NTE is issuing senior unsecured “Green Bonds” to re-finance one of its existing hydro power project; “Kraftverkene i Øvre Namsen”, which consists of four power plants.

NTE has commissioned DNV GL to provide an opinion based on the Green Bond Principles (GBP) in order to give external assurance to investors about the “green” integrity of the bonds.

In order to provide this opinion, DNV GL developed a framework with criteria corresponding to the four Green Bond Principles of Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting. We then applied this framework against the bonds and the assets included in the bonds by NTE and recorded our findings and assessment in a GBP Protocol.

Hydro power has clear environmental benefits and can be quantified through GWh production of renewable energy. Annual production for the four hydro power plants is approximately 1200 GWh/year. Based on the documentation reviewed, DNV GL concludes that NTE operates in accordance with relevant environmental regulation and has a good social and environmental governance framework in place. The proceeds will be applied towards the refinancing of an existing loan shortly after issuance; hence there is no need to establish separate systems for managing the proceeds. Finally, NTE is planning to expand their sustainability reporting as of 2014. As part of this, NTE is planning to report externally, and on an annual basis, the actual production numbers for the four power plants that are being refinanced by the green bond. They will also quantify the environmental benefits of the production in terms of estimated greenhouse gas reduction equivalents of the production figures.

On the basis of the information provided by NTE and the work undertaken, it is DNV GL’s opinion that the NTE Green Bonds meet the criteria set out in the NTE Green Bond Framework, and more broadly that the bonds are aligned with the Green Bond Principles.

DNV GL

Oslo 30.10.2014

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## ABOUT DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. With our origins stretching back to 1864, we are today a leading provider of services for managing risk, with a global presence of more than 300 offices in over 100 different countries. Our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. This means continuously developing new approaches to health, safety, quality and environmental management, so businesses can run smoothly in a world full of surprises.

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