

Ulf Wikström

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## FORTUM VÄRME – GREEN BONDS FRAMEWORK

### 1 EARMARKED ACCOUNT

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support Fortum Värme's lending for Eligible Projects. As long as the Notes are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to Fortum Värme's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects.

### 2 ELIGIBLE PROJECTS

“**Eligible Projects**” means a selected pool of projects funded, in whole or in part, by Fortum Värme that promote the transition to low carbon and resource efficient growth in line with Fortum Värme's Environmental Policy and **Green Bond Strategy – Energy for a Sustainable Greater Stockholm Area**.

Eligible Projects;

1. Renewable energy (biogas from organic waste, power or heat from hydro, biomass<sup>1</sup>, wind, solar, wave and likewise).
2. Energy efficiency (recovered energy, expansion of and management of district heating/cooling grid, new capacity for district cooling, demand side management, upgrading of production units and offices).
3. Reduced environmental impact (decreased emissions, waste management, recycling and re-use, flue gas and waste water management, bio-diversity). Allocations to this category is limited 20%.

Fortum Värme's Green Bonds will not finance coal or fossil fuel projects.

The use of proceeds from Fortum Värme's Green Bonds will mainly finance new investments<sup>2</sup> and to a lesser extent reinvestments and refinancing of eligible projects. Eligible projects must result in a significant improvement in line with definitions in the matrix in “Table 1 Examples of eligible projects” below.

### 3 SELECTION OF ELIGIBLE PROJECTS

The projects are evaluated from a sustainability perspective. Eligible Projects within the Green Bonds framework are selected and proposed by project managers, and approved by the Treasury department together with environmental specialists in the Sustainability unit. All major projects at Fortum Värme are subject to a final approval by the Investment Committee.

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<sup>1</sup> Fortum Värme does not classify peat as a renewable energy source.

<sup>2</sup> Projects finalized within one year before the time of issuance or later.

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**Table 1 Examples of eligible projects**

	Renewable energy	Efficient use of resources	Environmental improvement
Eligible projects include	Increased share of biomass, solar, wind, wave, geothermal or energy from lake or sea	Measures that reduce the consumption of primary energy in a life cycle perspective	Lower emissions and reduce impact on biodiversity
Examples of projects	<p>New capacity for production of renewable energy (new plants or productions units, modification of existing facilities)</p> <p>Investments in new or improved waste handling solutions that increases the use or share of renewable energy (heat, power, biogas)</p> <p>Investments in distribution systems that enables change in operations, or enables connecting end users with district heating and by that replacing local fossil supply</p> <p>Investments in transport infrastructure (harbor, rail, loading technology etc), vehicles, ships, fuel shift</p>	<p>Change or improvement of equipment</p> <p>Operations and adjustments in distribution system as well as in buildings</p> <p>Demand side Management (DSM)</p> <p>Energy recovery measures at production site as well as locally at customer</p> <p>District cooling (new production or connecting customer to grid) and by that achieve a higher Coefficient of Performance (COP)</p> <p>New capacity in waste to energy solutions or change of energy source in existing production in order to reduce primary energy usage in society</p>	<p>Flue gas and waste water cleaning</p> <p>Constructing of areas designed for eco system services (wetlands or likewise)</p> <p>Measures to additionally increase biodiversity</p> <p>Use of fly ash or other biogenic residuals in forestry or agriculture</p>
Definition of Significant improvement	Investment or a number of similar investments with a cumulative impact that, as a major effect of invested money, brings at least a total of 1000 MWh additional use of renewable energy per year.	Investment or a number of similar investments with a cumulative impact that, as a major effect of invested money, brings at least a total of 1000 MWh of reduced use of primary energy per year.	Measures that addresses significant environmental aspects identified by Fortum Värme (according to ISO 14001)
Reinvestments & refinancing	Reinvestments in or refinancing of operations developed from eligible projects as above	Reinvestments in or refinancing of operations developed from eligible projects as above	Reinvestments in or refinancing of operations developed from eligible projects as above
Measurement & Follow up	<p>% renewable energy of total input (Fortum Värme and society all together)</p> <p>Emission of Greenhouse Gases, per produced energy unit (CO<sub>2</sub>eq. per kWh)</p>	<p>Use of primary energy per kWh used energy</p> <p>Primary energy factor (PEF) per kWh</p>	Emissions to recipient (air, water, ground) of NO <sub>x</sub> , SO <sub>x</sub> , PM, GHG, all per kWh produced

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## 5 TRANSPARENCY

To enable investors to follow the development and provide insight to prioritised areas, Fortum Värme will provide an annual investor letter to investors including 1) a list of projects financed 2) a selection of project examples and 3) a summary of Fortum Värme's Green Bond development. Project reporting will be made in line with methodologies stated in the Measurement & Follow up section in Table 1. The investor letter will be made publically available on Fortum Värme's web page.

## 6 GREEN BOND PROJECT SELECTION PROCESS FLOWCHART

Guidelines:

1. Swedish and EU Environmental Legislation
2. Fortum Värme's Environmental Policy
3. Fortum Värme's Green Bond Strategy – Energy for a Sustainable Greater Stockholm Area

Selection according to the criteria by:

1. Green Bond framework defined projects
2. Treasury Department and Sustainability unit subject to approval from the Investment Committee

