

# European Green Financing Framework



## Executive Summary

Kraftringen is an energy company with the ambition to create energy for future generations by leading the development today. By focusing on local and sustainable energy solutions, Kraftringen creates large environmental gains as well as contributes to sustainable growth in the local region. In 2018, Kraftringen's energy production became 100 per cent fossil fuel free. The history of Kraftringen goes back 160 years, to when the City of Lund acquired gas-powered lighting and had its own gas plant. During the years, Kraftringen has continued to grow and develop its sustainability work and is today not treating sustainability as a separate area, but as a core component of its strategy and the daily operations.

This Framework sets the terms under which Kraftringen may issue green financing instruments and has been developed to align with the EU Taxonomy Regulation and the European Green Bond Standard. The Framework also complies with the 2021 Green Bond Principles from the International Capital Markets Association (ICMA), as well as the 2023 Green Loan Principles established by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndication and Trading Association (LSTA).

This Framework offers investors the possibility to contribute positively to combat climate change by supporting Kraftringen in their efforts to create a more sustainable society. Kraftringen has worked together with Handelsbanken in the establishment of the European Green Financing Framework.

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# Introduction

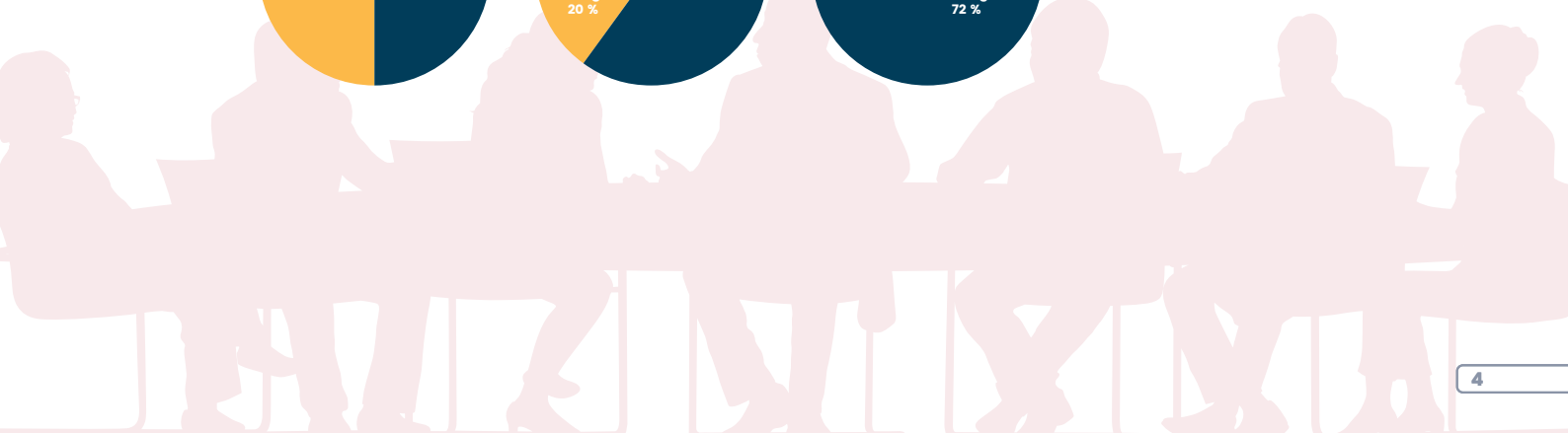
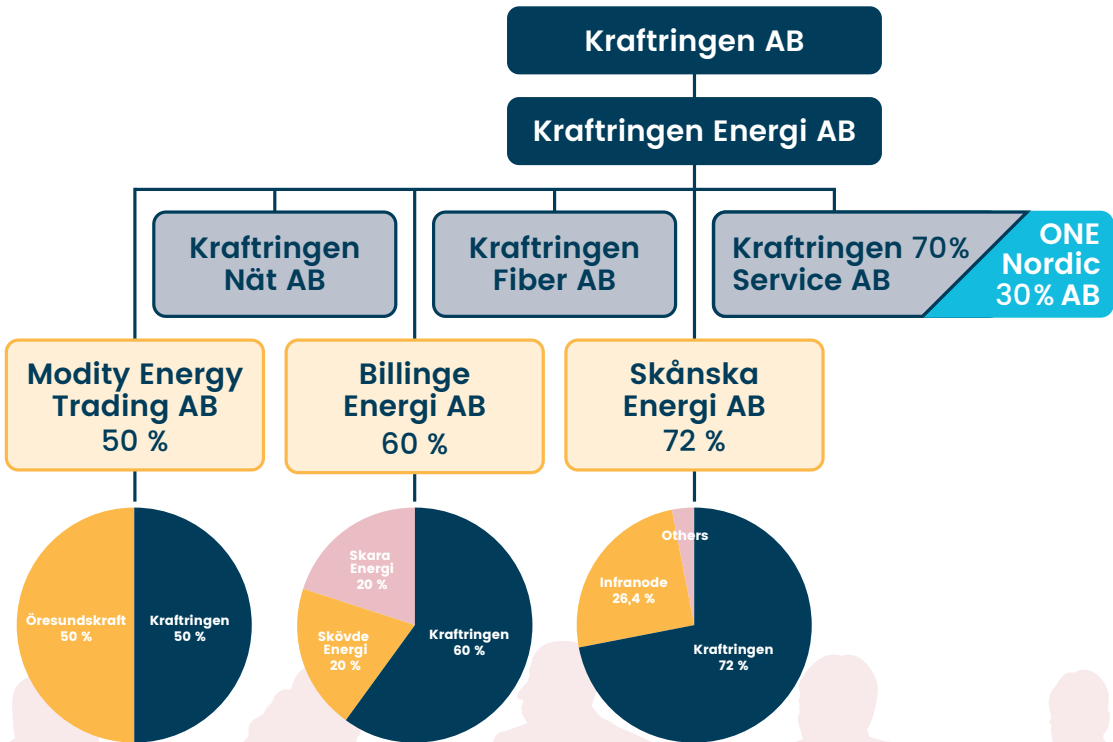
## About Krafringen

Krafringen Energi AB (“Krafringen”) is an energy company with its roots and heart in the far south of Sweden. The company is owned by four municipalities, which means that parts of the company’s profit is returned to the residents as municipal services. As a municipally owned company, profit maximization is not the primary goal for Krafringen. Instead, the focus is on commercial benefit to society: the goal is for customers to have access to a safe and sustainable energy supply, all year round, around the clock.

Krafringen’s ambition is to create energy for future generations by leading the development today and using natural resources as efficiently as possible. The history of Krafringen goes back 160 years, to when the City of Lund acquired gas-powered lighting and had its own gas plant. Krafringen today has approximately 600 employees and offers solutions in electricity grids, electricity trading, heating, cooling, gas networks, gas trading and data communication (wireless networks, fiber lines and data centers). The group also conducts contracting

services in electricity, lighting and energy services, sales of electric vehicle charging, and offers solar cell and battery solutions. The intention is to be a proactive energy partner, so that the customers in turn can achieve their goals of profitability and sustainability.

The municipalities’ ownership is organized through the holding company Krafringen AB, which in turn owns Krafringen Energi AB, where the operational activities are conducted and organized.



By focusing on local and sustainable energy solutions, Krafrtingen both creates large environmental gains as well as contributes to sustainable growth in the local region. In 2018, Krafrtingen's energy production became 100 per cent fossil fuel free<sup>1</sup>, where its main source of bio-fuel is residual products from other parts of the society. Krafrtingen also uses residual heat from industry and other business processes in state-of-the-art collaborations; heat that would otherwise be wasted.

Though Krafrtingen conducts business in most parts of the energy market, the focus is on cogeneration production (i.e. the combined production of heat and electricity) and distribution and sale of electricity, district heating and cooling and gas to end users. The energy production during a normal year amounts to approximately 1,000 GWh heat and approximately 150 GWh electricity.



## Krafrtingen's businesses

### Electricity

Krafrtingen Energi AB produces electricity and sells electricity purchased in the wholesale market to end users. Krafrtingen's plants generate approximately 150 GWh electricity annually, and the number of electricity customers is around 145,000. The subsidiary Krafrtingen Nät AB's distribution networks cover around 125,000 connection points.

In total, Krafrtingen's distribution network includes approximately 9,100 kilometers power lines, 2,500 substations and 29,000 poles that need regular maintenance. A safe and reliable delivery of electricity is crucial for the society to function, which gives Krafrtingen a significant responsibility to ensure secure distribution of electricity. Each year, Krafrtingen builds and weatherproofs approximately 150 kilometers power lines, inspects the overhead power

lines by helicopter to detect any faults, and clears wiring streets while taking wildlife and plant life into account. The purpose of the weatherproofing is to reduce the risk of power outages. In most cases, the uninsulated overhead power lines are replaced with insulated underground cables. This makes the power grid more robust to external influence like heavy wind.

Krafrtingen's operation within end-user electricity sales is "Schysst elhandel-certified" (a certification developed by the industry organization Energiföretagen Sverige).<sup>2</sup> The certification's purpose is to ensure that the electricity trading companies meet the high requirements on customer service, transparency and sustainability.

<sup>1</sup> In February 2024, the Swedish Environmental Protection Agency updated its guidelines on fossil content in recycled wood chips for facilities participating in the EU ETS. Previously, this type of biofuel was assumed to be entirely fossil-free. However, the new reference values indicate that most recycled wood chip fractions from 2024 onward will no longer be classified as completely fossil-free in emissions reports. At the time of publication of this European Green Financing Framework, the full impact of these changes on Krafrtingen and its claim of 100 per cent fossil fuel free production remains uncertain.

<sup>2</sup> [energiforetagen.se/energifakta/schysst-elhandel/](https://energiforetagen.se/energifakta/schysst-elhandel/)

## District heating and cooling

Kraftringen's production in a normal year amounts to approximately 1,000 GWh heat and 150 GWh electricity. The largest production facilities are located outside Eslöv (Örtoftaverket) and in Lomma (Återbruket). Both facilities are combined heat and power plants, meaning they produce both electricity and heat. Örtoftaverket is Kraftringen's newest and largest production facility. In addition to the two cogeneration plants, Kraftringen has two larger production sites for district heating, Gunnesboverket in Lund and Värmeverket in Klippan. In addition, the company has another 15 or so smaller heat production plants.

All of Kraftringen's plants are powered by biofuels, residual heat or renewable electricity. Approximately 90 per cent of the fuel at Återbruket and approximately 50 per cent of the fuel at Örtoftaverket consists of reclaimed wood.



Örtoftaverket Combined Heating and Power (CHP) plant, fueled with biofuels.



Återbruket Combined Heating and Power (CHP) plant, fueled with biofuels.

The remaining fuel in the cogeneration plants consists of waste from logging in the form of branches and treetops, sly from thinning (primary forest fuel) as well as byproducts from the forest industry like saw chips, cutter chips and bark (secondary forest fuel). If necessary, energy wood is also used, a primary forest fuel that is not suited for other purposes due to rot damages for example.

In a few other smaller fuel boilers, wood briquettes and wood pellets manufactured from saw chips and cutter chips from Swedish sawmills are used. Biogas produced from rest products from society, like food waste and manure, is also used to some extent, as well as low-quality bio-oils with few other uses.

In the district heating operations, Kraftringen utilizes residual heat generated in other parts of the society that would otherwise be wasted. As an example, Kraftringen has unique cooperations with the research facilities MAX IV and ESS in Lund. Both these facilities generate considerable amounts of residual heat in their operations. An important part of maximizing the exchange of low-tempered residual heat from MAX IV is the development of the world's largest low-tempered district heating network in the new city district Brunnsbögen in Lund. Kraftringen is also continuously increasing the reception of residual heat from ESS in the traditional regional district heating network.

In total, Kraftringen's district heating operations include one very large network (among the largest ones in Sweden) connecting Lund, Dalby, Lomma and Eslöv, and six smaller networks that supply the towns of Bjärred, Klippan, Ljungbyhed, Södra Sandby, Östra Ljungby and Genarp with heat from renewable fuels. In 2022, an Environmental Product Declaration (EPD) was made for the large network, showing that the climate impact from Kraftringen's district heating is significantly lower (around a fifth) than the national average.

Kraftringen's district cooling is also produced with biofuels, residual heat or renewable electricity. The district cooling water is cooled in a large, central cooling plant driven by heat pumps and an absorption refrigeration machine. The excess heat generated by the heat pumps is used in the district heating network, a solution that is energy efficient as well as environmentally smart. The absorption refrigeration machine is also powered by the district heating rather than electricity, an appropriate measure in a region with a strained electricity supply situation.

During the spring of 2022, Kraftringen made the decision to build a new cogeneration plant in Örtofta, Örtofta 2, next to the existing plant. The plant will be in full operation by 2028, with the purpose of replacing older production facilities that have larger climate impact, and will result in an approximate doubling of the production capacity in Örtofta. Estimated investment for the new plant is around 2.5 billion SEK.

## Gas

Kraftringen does not produce gas but is a distributor. Since April 2024, all Kraftringen's gas trading agreements – for heating as well as driving – are based on biogas.

## Renewable energy

Climate change drives a transition from fossil fuels to electric operation and biofuels. This means that the need for renewable electricity production increases. Kraftringen actively works to facilitate for customers and partners to establish new renewable energy production at the same time as contributing with its own production. Today, Kraftringen has six wind power plants, producing a total of 6 GWh yearly. Kraftringen also runs a 3 MWp solar park, consisting of 4 508 solar panels, in Forsby outside of Klippan in Skåne, which produces about 3 GWh yearly.



The solar park in Forsby, Klippan.

## Fiber and data communication

Kraftringen supplies black fiber in Lund, Eslöv, Lomma, Höör and Hörby, and works continuously to refine and densify the networks. Kraftringen also provides co-location in the company's two top secure data centers.

## Sustainable driving

Since October 1, 2021, Kraftringen has been a provider of electric vehicle charging through a cooperation with a charging operator. Through this cooperation, Kraftringen ensures the customers the best and latest charging solutions available on the market. Furthermore, with encouragement from its owners, Kraftringen has also invested in and installed public charging stations in its owner municipalities. In January 2024, for example, a project with 100 installed public stations was completed.

Kraftringen is also a provider of 100 per cent biogas for gas powered cars through operation of three gas tanking stations

## Contracting services

Kraftringen Service AB is Kraftringen's contracting and service company. Service areas are electrical power, lighting, switchgears and switchgear services. The customers are mainly power grid companies, construction companies, municipalities, land contractors, industry as well as other Kraftringen subsidiaries.

## Solar panels

Since 2013, Kraftringen has been selling complete turn-key solar installations to housing associations, private and corporate customers. During the period 2013–2023 about 5,7 MW was installed, which – calculated with average measures of solar cell performance over the years – corresponds to about 150,000 solar panels.

# Sustainability at Kraftringen

Sustainability is not a new concept for Kraftringen. On the contrary, Kraftringen's sustainability journey started as early as the 1970s, when the company among other things started developing its district heating network. During the years, Kraftringen has continued to grow and develop its sustainability work and is today not treating sustainability as a separate area, but as a core component of its strategy and the daily operations. The overarching sustainability strategy is set out in the owners' expectations and vision:

- Kraftringen shall actively contribute to society's combat against climate change.
- Kraftringen shall be the leading energy supplier in the owner municipalities and their surrounding areas.
- Kraftringen shall ensure high security of energy supply at a fair market price.
- Kraftringen shall deliver a fair dividend to its owners.

Since 2015, Kraftringen is a member of the United Nations (UN) Global Compact. As a member, Kraftringen has committed to comply with principles linked to human rights, working conditions, the environment and anti-corruption. Kraftringen also works actively to contribute to the Agenda 2030 and the UN Sustainability Development Goals (UN SDGs). The company has identified four SDGs where its operations have the greatest impact:



## Sustainability governance

In 2026, Krafrtingen will publish its first CSRD-aligned sustainability report. Analyzing, adapting and developing the company's ongoing sustainability work, in order to meet the directive's requirements, is thus already ongoing.

At the time of publication of this European Green Financing Framework, Krafrtingen's sustainability work is organized within the business area Strategy & Sustainability, which reports directly to the CEO and is part of the management team. To identify the sustainability issues that are material, and to ensure these issues are addressed and sufficiently prioritized in the business strategy, a thorough mapping and assessment – a materiality assessment – is done every two to three years. The materiality assessment is led by Strategy & Sustainability and conducted together with the management and experts. This mapping is also revised annually, and any changes in the prioritization of sustainability issues or "focus areas", are anchored by management. The focus areas are selected based on the real or potential impact on Krafrtingen's business, as well as on stakeholders' expectations and concerns.

Reducing greenhouse gas emissions is crucial for mitigating climate change. The level of emissions is linked to the society's energy consumption, and from which sources this energy is produced. The energy companies hence have a major climate responsibility. Since Krafrtingen has both production facilities and distribution networks, its business has a significant potential impact on the environment, for example in areas such as bedrock, air and water. For society to function, and for Krafrtingen to deliver returns to its owner municipalities, the company

must ensure a high security of energy supply and be cost-effective. In addition, Krafrtingen is a workplace where employees should enjoy working and thrive.

To set the direction and control the sustainability efforts, three overarching strategic sustainability goals have been established:



**By 2030, Krafrtingen has net zero emissions of greenhouse gases<sup>3</sup>**



**Krafrtingen minimizes the negative environmental impact from its operations**



**Krafrtingen takes responsibility for society, its employees and owners**

In addition to these formally accepted goals, the ambition is to continuously reduce Krafrtingen's customers' emissions of greenhouse gases, and to create a stable and long-term financial situation that enables long-term development and growth for the group, along with a reasonable return for the owners. Together with action plans, these strategic sustainability goals and ambitions set the path to Krafrtingen's vision "energy for future generations". In the following paragraphs, the essence of the three goals are presented in more detail.

<sup>3</sup> Goal based on the the Greenhouse Gas Protocol methodology and the emission sources that were included in scope 1-3 in 2023. Any future expansion of scope 3 means that the target can be revised.

Krafrtingen has codes of conduct for employees, suppliers and all cooperation partners. In addition, the company has several group-wide policies: a quality and environmental policy, a work environment and electrical safety policy, a diversity policy as well as a routine for whistle blowing. The quality and environmental policy emphasizes the environmental aspects of all Krafrtingen's processes, as well as building strong relationships and keeping stakeholders in focus when developing new sustainable products, services and sustainable operation. The work environment and electrical safety policy builds on Krafrtingen's vision for zero accidents, meaning that no one should get seriously injured or suffer from ill health at work.

Krafrtingen's environmental management system is certified according to ISO 14001, the quality management system according to ISO 9001, and the work environment management system according to ISO 45001.

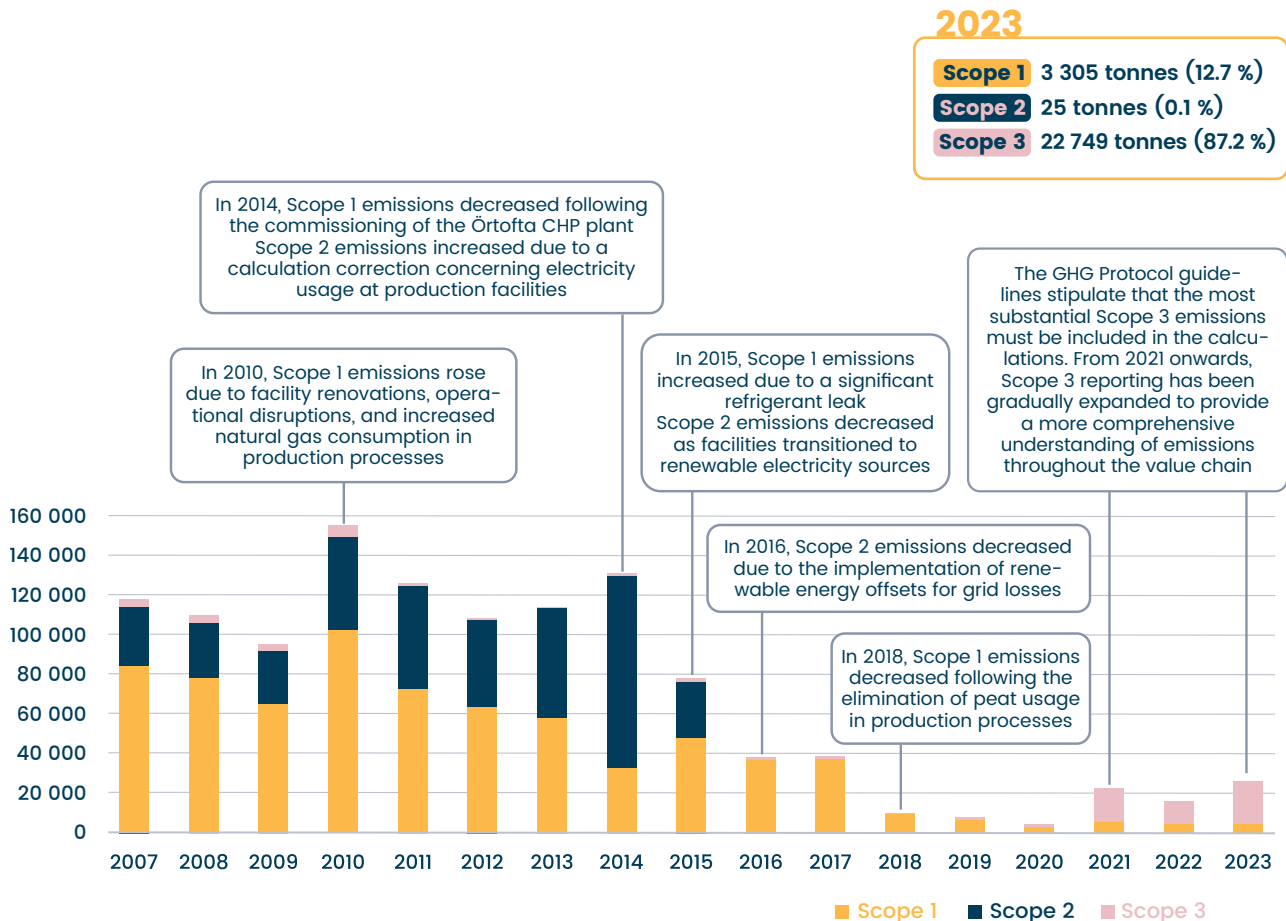
**Safety first!**



## Climate

Kraftringen performs its emission calculations according to the Greenhouse Gas Protocol (GHG protocol), an international standard to calculate the amount of anthropogenic emissions of greenhouse gases that contribute to an increased greenhouse gas effect and heating of the earth.

Since 2007, Kraftringen has reduced its greenhouse gas emissions with 97 per cent in scope 1 and 2. This is a result of investments in reducing the use of fossil fuels as well as to increase the amount of renewable fuels and recovered residual heat in the company's production. By 2030, the target is to reach net zero greenhouse gas emissions, based on the emission sources that were included in scope 1-3 in 2023.



Kraftringen has reduced its CO<sub>2</sub>e-emissions in scope 1 and 2 by 97 per cent since 2007. The calculation of greenhouse gas emissions is done according to the Greenhouse Gas Protocol (GHG protocol).

According to the calculations, some of Kraftringen's largest remaining greenhouse gas emissions in scope 1 are nitrous oxide and methane gas originating from the incineration of biomass, and leakage of refrigerants. The largest emissions in scope 3 originate from the life cycles of electricity trading and imported heat.

Kraftringen's assessment is that there are good opportunities to reach the goal of net zero emissions by 2030. Firstly, Kraftringen will work with reducing its own emis-

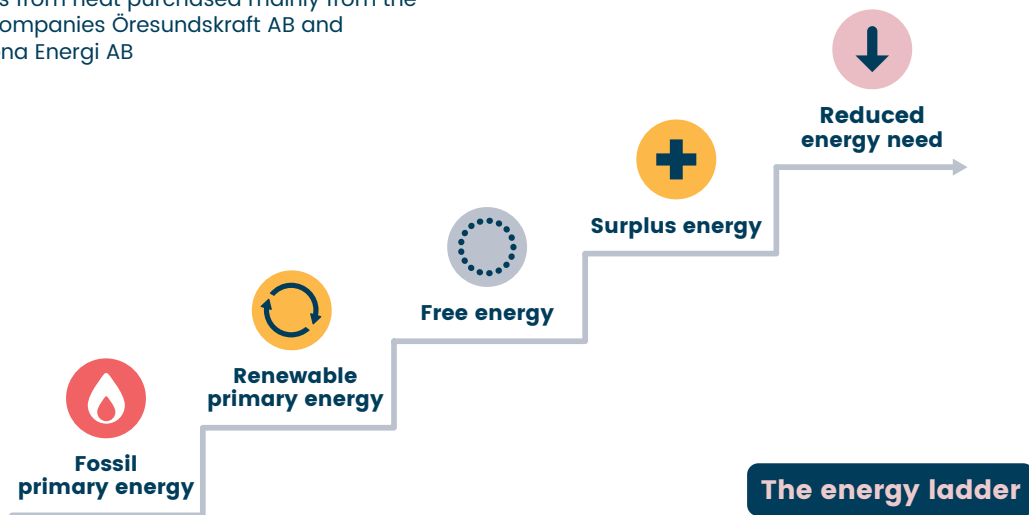
sions. Secondly, where further reductions are not possible, Kraftringen will need to work with climate compensation, which likely will take place through financing the investments in negative CO<sub>2</sub>e emissions by other operations. Kraftringen has also planned to prepare the new cogeneration plant in Örtofta, Örtofta 2, for Carbon Capture and Storage (CCS) but no decision to actually install CCS has been made.

Due to Krafrtringen's hard work and high ambitions with emission reductions, the main emissions are today in scope 3, corresponding to 87.2 per cent of Krafrtringen's total reported emissions in 2023. Up to and including 2020, Krafrtringen's reported scope 3 emissions comprised business trips and transports of biofuels to and between the company's two cogeneration plants. From 2021, the system limit has been expanded – and will continue to expand throughout the years – to achieve an even better understanding of the value chain. In 2023, scope 3 included the following 10 categories:

- Emissions from business trips
- Emissions from purchased transports of biofuel to and within Återbruket and Örtofta cogeneration plants
- Emissions from hotel nights linked to business trips
- Emissions from transport of sand to Återbruket and Örtofta cogeneration plants
- Emissions from transport of ash from Återbruket and Örtofta cogeneration plants and the Klippan heating plant
- Emissions from heat purchased mainly from the energy companies Öresundskraft AB and Landskrona Energi AB

- Emissions from the extraction and manufacture of chemicals used in Återbruket and Örtofta cogeneration plants
- Emissions from transport of chemicals to Återbruket and Örtofta cogeneration plants
- Emissions from the sale of electricity with regard to origin and life cycle
- Emissions from waste generated in operations

Besides working with reducing and compensating the company's own emissions, the ambition is to continuously reduce the customers' emissions of greenhouse gases. A general description of how Krafrtringen works is the so-called energy ladder (analogous to the waste ladder or hierarchy that is known within the EU), the first step of which is to reduce the need for energy, then primarily use surplus energy, then focus on producing fossil-free energy. Fossil energy should only be used as a last resort!



## Environment

Since Krafrtringen has both production facilities and distribution networks, the company has a large environmental responsibility. The ambition is to be both a forerunner and a role model in minimizing the negative environmental impact from the energy transition. Krafrtringen's environmental work emanates from Sweden's 16 environmental goals and affects the energy production as well as the distribution and supply chains.

Many of the routines and working methods used at the company that relate to environmental issues are part of the company's environmental management system that is ISO14001 certified, which is based on the motto "plan – do – check – act" and encourages continuous impro-

vement work. For example, the management teams are responsible for identifying, managing and following up environmental aspects, risks and opportunities within their operations. This is important as accidental releases to the environment are most likely to occur when no or insufficient risk assessments have been made. Krafrtringen also conducts regular analysis of "environmental debts" and makes sure that actions are taken to minimize them. Krafrtringen's operations are subject to several strict environmental requirements from authorities and the company acts proactively by continuously reporting environmental matters to these authorities, as well as the board and owners.

An important environmental issue for Krafrtingen is biodiversity, which, for instance, is indirectly affected by the company's use of biofuels in cogeneration production. Krafrtingen takes responsibility when operating in nature and continuously works to minimize the resource use. The company also works actively to develop a deeper understanding of the biomass issues and to handle the inherent conflict between the utilization of biofuels for energy production and the biodiversity of the forest, as well as its recreational value. For example, during 2022, Krafrtingen joined the four-year long research project "Pathways towards an efficient alignment of the financial system with the needs of biodiversity (BIOPATH)", funded by Mistra (the foundation for environmental strategic research).<sup>4</sup> The purpose of the project is to make the financial system a main driving force to stop and turn around the loss of biodiversity. The project started in 2022 and will map, evaluate and develop methods where biodiversity is integrated in financial decision making. A special focus will be put on changing the land use in relation to agriculture, forestry and energy.

<sup>4</sup> [mistrabiopath.se](https://mistrabiopath.se)

Another important environmental issue for Krafrtingen is reducing the use of fresh water within the district heating operations, where approximately 20,000 cubic meters of water circulates in distribution pipes. By separating water from the flue gases in the cogeneration plant in Örtofta and using it in the district heating networks, the system is now 75 per cent self-sufficient in water!

One more example of a crucial environmental issue is reducing air pollution. All Krafrtingen's production facilities meet legal requirements regarding environmental aspects, including emissions to the air. The cogeneration plant Örtoftaverket is the facility that produces the largest point-source emissions into the air. The plant also produces among the lowest emissions in terms of kilos per megawatt hour produced. Through Krafrtingen's facility development plan, the ambition is to phase out several small facilities, which have less developed flue gas treatment, and instead use fewer and larger facilities where the flue gas treatment constitutes the best available technology.



## Social and governance

As a provider of critical infrastructure and being a workplace for several hundred employees, Krafrtingen has a large social responsibility. To maintain a safe energy supply, the company needs to maintain, develop and protect its production and distribution facilities. This requires that technology, work methods and business models are adapted for the increased energy demands of the future (especially the need for electricity), an increasingly decentralized energy production and ongoing climate changes, as well as changed customer behaviors.

To meet these demands, Krafrtingen actively invests in, develops and manages the delivery of electricity, heat, cool, gas and data communication. The infrastructure is monitored from control centers around the clock, and in the event of a power failure, both fixed and mobile back-up generators are started. Krafrtingen also counteracts sabotages by actively working with physical and IT security.

Concerning workplace environment-related issues, Krafrtingen works systematically and proactive and was in 2023 certified according to the international management system standard for work environment, ISO 45001:2018. The company also has a number of group-wide policies to support the work. For example, there is a work environment and electrical safety policy which, among other things, states that no one should be seriously injured or suffer ill health because of work at the company. Work environment issues are a permanent item on the meeting agendas of the company's management teams. Managers are also required to carry out safety visits in ongoing field work to discuss work environment issues. Krafrtingen's fulfillment of the UN Global Compact principles is further manifested through the company's code of conduct for coworkers, suppliers and cooperation partners.

# European Green Financing Framework

This European Green Financing Framework (“Framework”) describes the prerequisites for issuing green financing instruments such as green bonds, green loans and green commercial papers. The Framework has been developed to align with the EU Taxonomy Regulation (June 2020)<sup>5</sup> as well as the European Green Bond Standard (EUGBS)<sup>6</sup>. Before issuance of a European Green Bond, this Framework will be complemented with a European Green Bond Factsheet, that will be made publicly available as well as externally reviewed by an accredited external reviewer. The Framework also complies with the 2021 Green Bond Principles<sup>7</sup> from the International Capital Markets Association (ICMA), as well as the 2023 Green Loan Principles established by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndication and Trading Association (LSTA)<sup>8</sup>.

## Use of Proceeds

An amount equivalent to the net proceeds of any green financing instrument will exclusively be used to finance or refinance projects that support the shift towards low-carbon, climate resilient and sustainable economies. These projects, referred to as “Eligible Green Projects”, may have the value of fixed assets (Assets), capital expenditures (CapEx), and/or operational expenditures (OpEx) and must meet the relevant specific Technical Screening Criteria (TSC) for substantial contribution and the Do No Significant Harm criteria (DNSH) as well as the Minimum Safeguards (MS) in accordance with the EU Taxonomy Regulation.

Both financing and refinancing<sup>9</sup> of Assets and CapEx incurred no earlier than 1990, and OpEx incurred more recently than three years prior to any green financing which relate to R&D, education and training, renovation, maintenance and repair related to Green Projects that ensure the continued and effective functioning of such assets can qualify, at all times in compliance with, and as allowed under the European Green Bond Standard and the ICMA Green Bond Principles. The combined allocated amount to a specific Green Project, by one or several

An overview of the relevant Technical Screening Criteria (including Do No Significant Harm criteria) in the EU Taxonomy applicable at the time of publication of this Framework can be found in Appendix 1. Appendix 2 provides an overview of the EU Taxonomy as well as the European Green Bond Standard.

### The Framework is based on the following five components:

- 1 Use of proceeds
- 2 Process for project evaluation and selection
- 3 Management of proceeds
- 4 Reporting
- 5 External review



sources of financing with specified use of proceeds, may not exceed its value. As Kraftringen primarily operates in the Swedish market, the net proceeds will be used exclusively to finance or refinance Green Projects within Sweden.

To be eligible for Green Financing, Green Projects must meet the specific criteria in the current Taxonomy Technical Screening Criteria in force, specified in the table below. Further information regarding the Technical Screening Criteria can be found in Appendix 1.















<sup>5</sup> EUR-Lex - 32020R0852 - EN - EUR-Lex (europa.eu)

<sup>6</sup> EUR-Lex - 32023R2631 - EN - EUR-Lex (europa.eu)

<sup>7</sup> Green Bond Principles June 2021 (with June 2022 Appendix 1); <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-Jne-2022-060623.pdf>

<sup>8</sup> Green Loan Principles; <https://www.lsta.org/content/green-loan-principles/>

<sup>9</sup> Financing is defined as the use of proceeds from the issuance of green financing instruments to support eligible green projects acquired in the same accounting year as the issuance or in subsequent years. The use of proceeds for eligible green projects acquired before the same accounting year as the issuance is done is considered refinancing.

Use of proceeds				
Eligible Green Projects	ICMA Green Bond Principle category	Eligible EU Taxonomy category (overview of specific criteria can be found in Appendix 1)	Taxonomy aligned <sup>10</sup>	UN Sustainability Development Goals
<p><b>Renewable energy: solar parks</b></p> <p>This could for example include development, construction, installation, improvement, operation, repair and maintenance of solar park projects.</p>	Renewable energy	4.1 Electricity generation using solar photovoltaic technology	✓	   
<p><b>Distribution of electricity</b></p> <p>This could for example include construction, installation, improvement, operation, repair, and maintenance of power grids for distribution of electricity (over and underground), smart grid solutions and smart meters, as well as other monitoring systems aimed at enabling reduction of energy consumption..</p>	Renewable energy Energy efficiency	4.9 Transmission and distribution of electricity	✓	     
<p><b>District heating and cooling</b></p> <p>This could for example include upgrades to, or new, facilities for district heating and cooling production. Also infrastructure for distribution of district heating and cooling, e.g. construction, installation, improvement, operation, repair, and maintenance of district heating and cooling pipes, smart grid solutions and smart meters, as well as other monitoring systems aimed at enabling reduction of energy consumption.</p>	Renewable energy Energy efficiency	4.15 District heating/cooling distribution	✓	     
		4.16 Installation and operation of electric heat pumps	✓	
		4.20 Cogeneration of heat/cool and power from bioenergy	✓	
		4.25. Production of heat/cool using waste heat	✓	

<sup>10</sup> Taxonomy aligned means fulfilment of both the Technical Screening Criteria (including the Do No Significant Harm criteria) as well as Minimum Safeguards on entity level. For more information regarding the applicable EU Taxonomy criteria, see appendix 1 and 2.

## Process for Project Evaluation and Selection

Kraftringen has a robust process for project evaluation and selection in the form of a Green Finance Committee (“GFC”), consisting of the Head of Sustainability, CFO, members of group finance and representatives from the business areas relevant for the Green Projects.

The GFC is responsible for reviewing projects to be funded by green financing instruments and will ensure that only projects (or parts of projects) that are aligned with the criteria for Eligible Green Projects are selected. Decisions on Green Projects are part of Kraftringen’s ordinary process for project evaluation and selection. In summary, the GFC is responsible for:

- Reviewing information about the potential Eligible Green Projects
- Ensuring that the Eligible Green Projects are in line with the requirements in this Framework, including alignment with the EU Taxonomy and European Green Bond Standard, as well as evaluating their overall environmental impact

- Ensuring that the Eligible Green Projects are compliant with applicable national laws and regulations, as well as Kraftringen’s internal policies and guidelines
- Evaluation of potential environmental and social risks associated with the Green Projects.

The GFC has the mandate to make decisions regarding the Eligible Green Projects but can request additional information and consult with internal parties in the company. The decisions made by the GFC will be documented. A decision to allocate net proceeds will require a majority decision by the GFC, where the Head of Sustainability has a veto. An updated list of all Eligible Green Projects will be kept by Kraftringen’s Finance department. If a project ceases to meet the requirements, it will be removed from the list (and the funds will be recycled). The list will also be used as a tool to determine if there is a current or expected capacity for additional Green Financing.

## Management of Proceeds

The net proceeds of any issued green financing instrument will be tracked by Kraftringen in a Green Portfolio.

If an Eligible Green Project no longer qualifies or if the underlying project is divested or lost, an amount equal to the funds allocated towards it will be re-credited to the Green Portfolio. Funds may also be reallocated to other Green Projects during the term of any Green Financing, unless otherwise agreed in the loan documentation.

The Finance department will keep a record of the purpose of any change in the Green Portfolio and ensure that the combined funds directed towards a specific Green Project, by one or several sources of Green Financing or other financing with specific use of proceeds, does not exceed its value. Thus, the value of all Eligible Green Projects will at all times exceed the total nominal amount of green financing instruments outstanding.

Net proceeds from green financing instruments awaiting allocation to Green Projects may be invested or utilized by the Finance department in accordance with Kraftringen’s sustainability strategy and investment criteria. Such unallocated funds may for instance be invested in short-term interest-bearing securities, such as Swedish treasury bills (and related entities) or Swedish municipal notes (including related entities).

### Exclusions

Unallocated funds will not be allocated towards or linked to fossil-based energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.



## Reporting

To be fully transparent towards the green investors and other stakeholders, Krafrtingen will publish an annual report on its website ([www.krafrtingen.se](http://www.krafrtingen.se)) that will detail the allocation of Green Funds and adherence to the requirements in this Framework. The reporting will include an Allocation Report and an Impact Report and continue until the proceeds have been fully allocated. In case of material changes, developments and/or potential issues and controversies, Krafrtingen will include information regarding this in the report. If Krafrtingen has other green financing outstanding than bonds, Krafrtingen may choose to report, in relation to these other green financing instruments, directly and non-publicly, to the lenders or counterparts.

### Allocation Report

The allocation report will include the following:

- Information regarding allocated amounts together with descriptions of single projects financed
- The sum of outstanding green financing instruments and the sum of the Green Portfolio balance, including any short-term investments or funds managed within Krafrtingen's liquidity portfolio
- The amount and share of new financing versus refinancing
- Specified type and sectors of projects, NACE codes (when applicable), to which Environmental Objective(s) the Green Projects have a substantial contribution and an indication of which of the Delegated Acts that were used to determine the TSC including their application dates
- Compliance with the Minimum Safeguards
- All data is to be as of the end of the previous year

### Impact Reporting

The Impact Report will strive to disclose the impact based on the financing's share of the total investment. For financed Green Projects that are not yet operational, Krafrtingen will strive to provide estimates of future performance levels. The metrics below are examples of indicators that are likely to be used by Krafrtingen in the forthcoming Impact Report. Furthermore, Krafrtingen will specify the methodologies and main assumptions applied in the assessment of the environmental impacts. It is the intention of Krafrtingen to align the impact reporting, on a best effort basis, with the ICMA's Handbook – Harmonised Framework for Impact Reporting (June 2024)<sup>11</sup> and the European Green Bond Standard (EUGBS)<sup>12</sup>.

Eligible Green Projects category	Possible applicable metrics:
<b>Renewable energy: solar parks</b>	<ul style="list-style-type: none"> <li>■ Energy generation capacity (MW)</li> <li>■ Actual annual energy generation (MWh)</li> <li>■ Annual reduction and/or avoidance of GHG emissions (CO<sub>2</sub>e)</li> </ul>
<b>Distribution of electricity</b>	<ul style="list-style-type: none"> <li>■ Increase/improvement in distribution capacity</li> <li>■ AIT (Average Interruption Time)</li> <li>■ AIF (Average Interruption Frequency)</li> </ul>
<b>District heating and cooling</b>	<ul style="list-style-type: none"> <li>■ Energy generation capacity (MW)</li> <li>■ Actual annual energy generation (MWh)</li> <li>■ Annual reduction and/or avoidance of GHG emissions (CO<sub>2</sub>e)</li> </ul>

<sup>11</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

<sup>12</sup> EUR-Lex - 32023R2631 - EN - EUR-Lex (europa.eu)

## External Review

Until bond maturity, Krafrtingen's auditor, or a similar party appointed by Krafrtingen with the relevant expertise and experience, will annually investigate and report whether the disbursed proceeds have been allocated to the Eligible Green Projects that Krafrtingen has communicated in the Reporting. Their conclusions will be provided in a signed statement, which will be published on Krafrtingen's website ([www.krafrtingen.se](http://www.krafrtingen.se)), no later than required by the European Green Bond Standard.

### Second Party Opinion

Krafrtingen has engaged Moody's to provide a Second Party Opinion to this Framework. Moody's has provided an independent evaluation of the Framework verifying its credibility, impact and alignment with ICMA's Green Bond Principles, Green Loan Principles as well as Krafrtingen's alignment with the EU Taxonomy.

### Pre-Issuance Review

An independent external reviewer appointed by Krafrtingen will, before issuance of a European Green Bond, provide an assurance of Krafrtingen's European Green Bond Factsheet.

### Post-issuance Review

An independent external reviewer appointed by Krafrtingen will on an annual basis provide an assurance of the net proceeds from the Green Bonds and/or the European Green Bonds.

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## Important Notice

This document (the "European Green Finance Framework" or "Framework") contains information on Krafrtingen AB ("Krafrtingen") and its potential use of financing with added environmental criteria.

This Framework aligns with the European Green Bond Standard, the EU Taxonomy Regulation, and the supplementary Act on Climate Change Mitigation and Climate Change Adaptation that entered into force on the first of January 2022 (the "Taxonomy" or "Climate Delegated Act"). It provides non-binding details on forthcoming financing, as will be specified in the European Green Bond Factsheet ("Factsheet"). Labels such as "Green Bond", "Green Commercial Paper" and "Green Loan" may apply based on the type of financing, and compliance with the European Green Bond Standard could warrant additional labels like "European Green Bond" (EUGB), "European Green Loan" (EUGL) or "European Green Commercial Paper" (EGCP).

Financing that incorporates the Factsheet, either by reference or inclusion, is designated as Green Financing. The Factsheet, publicly available on Krafrtingen's website, is an integral part of the financing documentation and is translated as required by local legislation and regulation. Notably, any new Green Financing shall incorporate the

most recently published Factsheet, and the version specified in the relevant documentation remains applicable for the duration of the financing. Changes to the Factsheet or relevant standards, such as the Taxonomy or the European Green Bond Standard, will not apply retroactively to any Green Financing unless explicitly communicated by Krafrtingen or required by relevant laws and regulations.

Investors and third parties are strongly advised to conduct independent evaluation of the Framework and to review applicable risk factors, terms specific to the relevant financing, and the Framework's adherence to existing and future regulations, standards, and/or market practices. As the accreditation mechanism for external reviews under the European Green Bond Standard is not yet in place, investors and third parties must assess the adherence of any Green Financing to such standard until accreditation is secured.

This Framework's purpose is to guide investors and third parties in understanding the criteria, terms and principles governing Green Financing mechanisms, fostering transparency and adherence to ambitious environmental standards.



## Appendix 1

# Overview and Summary of main Taxonomy Criteria at the Time of Publication

The table below summarizes and provides an indicative overview of the relevant Technical Screening Criteria applicable at the time of publication of this Framework (the Climate Delegated Act, December 2021). External parties are advised that the regulatory requirements in effect at the time of any new Green Financing will be

used to determine compliance. The information in the table below is a summary of the Climate Delegated Act published in the Official Journal of the European Union in December 2021. In case of any discrepancies between the summary and the Climate Delegated Act the latter should prevail.

Category	Technical Screening Criteria (Climate Change Mitigation)	Do No Significant Harm criteria	Potential NACE-codes
4.1 Electricity generation using solar photovoltaic technology	The activity generates electricity using solar PV technology.	2. Identify material physical climate risks.  4. The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.  6. Restrictions on the use of certain types of land.	D35.11, F42.22
4.9. Transmission and distribution of electricity	1. Transmission and distribution infrastructure or equipment in an electricity system that complies with certain criteria.  2. Support or control of the distribution of low carbon electricity or renewable energy solutions.	2. Identify material physical climate risks.  4. A waste management plan is in place that ensures maximal reuse or recycling at end of life in accordance with the waste hierarchy.  5. Overground high voltage lines supports certain requirements regarding construction sites and limitations on electromagnetic radiation. Activities do not use PCBs polychlorinated biphenyls.  6. Restrictions on the use of certain types of land.	D35.12, D35.13
4.15. District heating/cooling distribution	1. Construction and operation of pipelines and associated infrastructure for distributing heating and cooling.  2. Refurbishment of pipelines and associated infrastructure for distributing heating and cooling,  3. Activities including: i. modification to lower temperature ii. advanced pilot systems (control and energy management systems, Internet of Things).	2. Identify material physical climate risks.  3. Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed and/or an Environmental Impact Assessment has been carried out.  5. Fans, compressors, pumps and other equipment used has a sufficiently high energy class and/or are of best available technology.  6. Restrictions on the use of certain types of land.	D35.30
4.16. Installation and operation of electric heat pumps	1. The installation and operation of electric heat pumps complies with both of the following criteria:  a. refrigerant threshold: Global Warming Potential does not exceed 675  b. energy efficiency requirements laid down in the implementing regulations <sup>13</sup> under Directive 2009/125/EC are met.	2. Identify material physical climate risks.  3. Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed and/or an Environmental Impact Assessment has been carried out.  4. The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. A waste management plan is in place and ensures maximal reuse, remanufacturing or recycling at end of life.  5. For air to air heat pumps with rated capacity of 12 kW or below, indoor and outdoor sound power levels are below the threshold set out in Commission Regulation (EU) No 206/2012 <sup>14</sup> .	D35.30, F43.22

Category	Technical Screening Criteria Climate Change Mitigation	Do No Significant Harm criteria	Potential NACE-codes
4.20. Cogeneration of heat/cool and power from bioenergy	<p>1. Agricultural biomass used in the activity complies with certain criteria.</p> <p>2. The greenhouse gas emission savings from the use of biomass in cogeneration installations are at least 80 % in relation to certain methodology.</p> <p>3. Where the cogeneration installations rely on anaerobic digestion of organic material, the production of the digestate meets certain criteria.</p>	<p>2. Identify material physical climate risks.</p> <p>3. Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed and/or an Environmental Impact Assessment has been carried out.</p> <p>5. Emissions are below certain pre-defined values.</p> <p>6. Restrictions on the use of certain types of land.</p>	D35.1, D35.30
4.25. Production of heat/cool using waste heat	<p>1. The activity produces heat/cool from waste heat.</p>	<p>2. Identify material physical climate risks.</p> <p>4. The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.</p> <p>5. Pumps and the kind of equipment used, which is covered by Ecodesign and Energy labelling comply, where relevant, with the top class requirements of the energy label laid down in Regulation (EU) 2017/1369, and with implementing regulations under Directive 2009/125/EC and represent the best available technology.</p> <p>6. Restrictions on the use of certain types of land.</p>	D35.30

<sup>13</sup> Commission Regulation (EU) No 206/2012 of 6 March 2012 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for air conditioners and comfort fans (OJ L 72, 10.3.2012, p. 7), Commission Regulation (EU) No 813/2013 of 2 August 2013 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for space heaters and combination heaters (OJ L 239, 6.9.2013, p. 136) and Commission Regulation (EU) 2016/2281 Commission Regulation (EU) 2016/2281 of 30 November 2016 implementing Directive 2009/125/EC of the European Parliament and of the Council establishing a framework for the setting of ecodesign requirements for energy-related products, with regard to ecodesign requirements for air heating products, cooling products, high temperature process chillers and fan coil units (OJ L 346, 20.12.2016, p. 1).

<sup>14</sup> Commission Regulation (EU) No 206/2012 of 6 March 2012 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for air conditioners and comfort fans (OJ L 72, 10.3.2012, p. 7).

## Appendix 2

# Key Characteristics of the EU Taxonomy and the European Green Bond Standard

### European Green Bonds

The European Commission proposed a joint European Green Bond Standard (“EUGBS”) in July 2021 that entered into force in December 2023 and that will start to apply in December 2024. The EUGBS requires the issuer to follow the EU Taxonomy, meaning that the latter will determine what can be financed by a European Green Bond. With this standard the EU Commission aims at further developing the market for high quality Green Bonds and reducing the risk of greenwashing, as well as allowing for additional private capital to be aggregated towards environmentally sustainable investments. The EUGBS also aims to establish a single supervisory authority to manage registration and supervision of external reviewers in the Union.

### EU Taxonomy

The Taxonomy Regulation (June 2020) and associated legal frameworks contain six Environmental Objectives (“Environmental Objectives”). In December 2021, the Climate Delegated Act, covering the first two Environmental Objectives was formally adopted by the European Council and entered into force on the 1st of January 2022. Any eligible activity must substantially contribute towards one or more of these six objectives, while at the same time not significantly harming any other Environmental Objective. These objectives are fairly aligned with, but expand upon, the five objectives in the Green Bond Principles. Furthermore, the Taxonomy defines sustainable economic activities through categorization, Technical Screening Criteria (TSC), including Do No Significant Harm criteria (DNSH) and Minimum Safeguards, with the purpose of facilitating capital aggregation for a green and sustainable transition.

### Environmental Objectives

- 1. Climate Change Mitigation (CCM):** Activities that contribute to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals.
- 2. Climate Change Adaptation (CCA):** Activities that contribute to reducing the negative effects of the current and expected future climate or preventing an increase or shifting of negative effects of climate change on location and context specific economic activities or natural and built environments.
- 3. Sustainable use and protection of Water and Marine Resources (WMR):** Activities that contribute to the good status of waters by limiting water discharges, decontaminating drinking water, improving water efficiency and ensuring the sustainable use of marine ecosystems and the good status of marine waters.
- 4. Transition to a Circular Economy (TCE):** Activities that contribute to the transition to a circular economy, aimed at minimizing and correctly managing waste, hazardous substances and making the most of resources, focusing on areas like design, systems, sharing economy, product life extension and recycling.
- 5. Pollution Prevention and Control (PPC):** Activities that contribute to a high level of environmental protection from pollutants other than greenhouse gasses affecting air, water or soil whilst minimizing negative impact on human health and the environment.
- 6. Protection and restoration of Biodiversity and Ecosystems (PBE):** Activities that protect, conserve and enhance biodiversity and ecosystem services via nature conservation or sustainable land management, agricultural practices and forest management.



### Technical Screening Criteria

The TSC shall determine the conditions under which a specific economic activity within the European Union qualifies as contributing substantially to an Environmental Objective, while not causing significant harm to one or more of those objectives (see DNSH). In the Taxonomy Regulation (June, 2020) the TSC are defined as being based on conclusive scientific evidence, taking a life cycle perspective and emphasizing quantitative thresholds whenever feasible.

### Do No Significant Harm criteria

In order to avoid that investments qualify as environmentally sustainable in cases where the economic activities benefitting from those investments cause harm to the environment to an extent that outweighs their contribution to an Environmental Objective, the EU Taxonomy also established Technical Screening Criteria that requires the economic activity to demonstrate that it “does no significant harm” (“DNSH”) to the other Environmental Objectives. The EU Taxonomy therefore specifies the minimum requirements that need to be met to avoid significant harm, considering both the short- and long-term impact of a given economic activity.




### Minimum Safeguards

For an economic activity to be considered sustainable, it must also comply with minimum social safeguards. To be eligible under the EU Taxonomy the relevant activity must be aligned with the:

- i. OECD Guidelines for Multinational Enterprises
- ii. UN Guiding Principles on Business and Human Rights
- iii. International Labor Organization’s Fundamental Principles and Rights at Work (including the eight fundamental conventions of the ILO) and
- iv. The International Bill of Human Rights

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