

3 October 2017

Green Bonds Framework

1 Background

Fingrid is a Finnish public limited liability company responsible for owning and operating the high-voltage transmission system in Finland. Fingrid's transmission grid is an integral part of the power system in Finland. The transmission grid is the high-voltage trunk network, which covers the entire Finland. Major power plants, industrial plants and regional electricity distribution networks are connected to the grid.

Fingrid is responsible for planning and operating the Finnish electricity transmission system and for maintaining and developing the system. The company is also to contribute to the work of ENTSO-E, the European Network of Transmission System Operators for Electricity, to the preparation of European electricity market and system operation codes, and to European network planning.

Fingrid's operations have a direct impact on the well-being of Finns. We understand how significant our work is for society and how important it is to ensure the responsibility of our business practices. For us, corporate responsibility means that in securing a reliable supply of electricity for society, we are also taking care of people and the environmental impacts of our operations, and complying with good governance practices.

Fingrid's strategy and its various perspectives form the starting point for our corporate responsibility work. Corporate responsibility is a key element in the implementation of our strategy and in our business expertise. By operating responsibly in all areas of sustainability we can best bring value to our stakeholders and ensure the acceptance of our projects by society.

When we design, build and maintain power lines, substations and reserve power plants, one of our main objectives is to make sure that environmental and land-use issues are taken into account for the long term. Fingrid's principles for reducing environmental impacts are presented in our land use and environmental policy, which can be found on our website¹.

We thoroughly assess the environmental impacts of our operations and pay special attention to controlling environmental risks. In addition to our personnel, we also engage our contractors and service suppliers participating in grid construction and maintenance in environmental sustainability with the help of contractual terms, auditing and environmental training.

This Green Bonds Framework is developed in alignment with the Green Bond Principles 2017². It is Fingrid's intention to follow best practices in the market as the standards develop.

¹ http://www.fingrid.fi/fi/ajankohtaista/Ajankohtaista%20liitteet/Esitteet/2017/Fingrid_maankayttojaysmparisto_2017ENGL.pdf

² See International Capital Market Association, ICMA: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

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2 Use of Proceeds

"Eligible Projects" means a selected pool of projects funded, in whole or in part, by Fingrid that promote the transition to low carbon and climate resilient growth and a sustainable economy as determined by Fingrid.

"Transmission Network" means power lines, substations, submarine cables or other network assets owned by Fingrid

Eligible Projects:

Energy efficiency

1. Development, construction and reconstruction of Transmission Networks to
 - a) decrease network losses and/or
 - b) enhance transmission capacity for clean energy (wind, hydro, solar and bioenergy); or
2. Development, construction and reconstruction of Transmission Networks to connect new, clean energy production to areas of demand through national grid enhancement; or
3. Development, construction and reconstruction of Transmission Networks to increase the share of renewable energy in the grid by connecting Finland's grid to neighbouring countries (and/or areas therein) where
 - a) the electricity generation mix has a *higher* share of renewables and Finland is a net *importer* of electricity or
 - b) the electricity generation mix has a *lower* share of renewables and Finland is a net *exporter* of electricity; or
4. Development and construction of smart grids.

Fingrid Green Bonds will not directly finance nuclear or fossil energy generation projects.

Fingrid Green Bonds can be used to finance the acquisition and development of new Projects and to refinance existing Eligible Projects. The division of the allocation of Green Bond proceeds between new Projects and refinancing will be included in the annual Green Bond Investor Letter (see section 5 below).

3 Process for Project Evaluation and Selection

Eligible Projects will be:

1. **Evaluated** by the Grid Planning, Land Use and Environment and Finance and Treasury departments based on Fingrid's long term capex plan;
2. **Selected** as Potential Eligible Projects if they meet the criteria in the Green Bonds Framework;
3. **Approved** as Eligible Projects unanimously in Fingrid's internal Steering Committee for Finance and Business development with representatives also from

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the Grid Planning and the Land Use and Environment departments including the manager responsible for Corporate Sustainability.

The Committee will only approve Projects, which meet the criteria of this Green Bonds Framework, i.e. Projects, which have a high likelihood for positive, net, long-term environmental effects.

4 Management of Proceeds

An amount equal to the net proceeds of the issue of the Green Bonds will be booked to a dedicated account that will support Fingrid's funding of Eligible Projects. As long as the Green Bonds are outstanding and the dedicated account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the dedicated account and added to Fingrid's Green Project Portfolio in an amount equal to all disbursements made during such quarter in respect of financing and/or refinancing of Eligible Projects. Until disbursement to Eligible Projects, the account balance will be placed in liquidity reserves and managed accordingly. If, for any reason, a financed Eligible Project no longer meets the eligibility criteria, it will be removed from the Green Project Portfolio.

5 Reporting

To enable investors to follow the development and provide insight to prioritized areas, Fingrid will provide an annual Green Bond Investor Letter to investors including:

- a. list of the Projects financed including a brief description and expected impact
- b. information about the division of the allocation of Green Bond proceeds between new Projects and refinancing
- c. a summary of Fingrid's Green Bond development.

Fingrid recognizes the importance of transparency and will include quantitative and/or qualitative impact reporting on financed Projects in the Investor Letter when feasible, e.g. commentary on amount of renewable power generation connected or losses reduced.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Investor Letter will be verified by Fingrid's external auditor or a similar third party appointed by Fingrid with the relevant expertise and experience. The Investor Letter and the opinion of the external auditor or similar third party will be made publically available on Fingrid's web site.

Fingrid will have its Green Bonds Framework reviewed by an independent, environmental expert who will issue a Second Opinion. The Second Opinion as well as the Green Bonds Framework will be made publicly available on Fingrid's web site.