



Ellevio's Green Bond Investor Report

May 2024



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This is Ellevio AB's Green Bond Investor Report for reporting period January–December 2023. The report includes use of proceeds from green bonds in line with Ellevio AB's green financing framework until March 2024.

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**Together we
electrify Sweden**

Ellevio is one of Sweden's largest electricity network companies. We secure the electricity supply to homes, workplaces, industries, transport and societal functions, while at the same time contributing to the energy transition and the development of a climate-smart energy system. The electricity grid is crucial for both global and national climate targets.

Electrification is required for Sweden to achieve its national goal of zero net emissions of green-house gases by 2045. Working towards these objectives, electrification is often identified as a solution where fossil-free electricity replaces fossil fuels in both industry and the transport sector. It also involves the smarter use of the electricity grid and about connecting more renewable electricity production.

This is a major societal change that requires an infrastructure with greater capacity and flexibility to enable electrification of both the transport sector and industry.

Moreover, demand for electricity is going to increase drastically in the coming years. By 2045, Sweden will, according to several forecasts, need more than double the amount of electricity it requires today. To meet the demand, Swedish electricity networks require investments of around SEK 945 billion by 2045, according to The Electricity Network Report conducted by Sweco on Ellevio's behalf and published in 2023.

Ellevio is laying the foundation for the fossil-free society of the future through two strategic focus areas: building tomorrow's energy systems and developing climate-smart energy services. We achieve our targets by creating top-class operations that attract the best people.

Market development and societal trends

Sweden needs a smart electricity system with significantly greater capacity and flexibility than the one in place today. Achieving this will require significant investment in the electricity grids. At the same time, global security concerns are increasing, and the climate crisis is driving changes in technology, regulation and policy.

Market update 2023

After the electricity price crisis in 2022, the price of electricity remained volatile in 2023. The high availability of hydropower, good European gas stocks and fully operational nuclear power plants helped electricity prices fall back, but with more unstable prices than before. The geopolitical turbulence caused by the war in Ukraine continued in 2023 and was further increased by the Hamas/Israel conflict that broke out in October. Efforts for security protection and preparedness continued to increase in importance throughout the energy industry. Ellevio worked to further strengthen its ability to resist antagonistic influence. We cooperate with other actors in the energy industry and with the authorities.

New conditions for Sweden's electricity system

The climate crisis and technological developments have created completely new conditions for Sweden's electricity system in recent years. A new energy mix, increased digitalisation, electrification of transport and industry, capacity shortages, security threats and new EU requirements are some of the drivers leading to a fundamental change in Sweden's electricity system.

The transition to a fossil-free society will lead to a dramatic increase in demand for electricity across the country – and thus also a major need for network investments. The Electricity Network Report 2023 forecasts that network investments totaling SEK 945 billion will be needed in Sweden by 2045. As a

comparison, the Swedish national budget for 2023 amounts to just over SEK 1,000 billion

The traditional Swedish energy system is built to handle predictable electricity production from a limited number of large plants based on hydropower, nuclear power and cogeneration. However, the electricity system is becoming increasingly dependent on wind but also solar power. As electricity production from weather dependent energy sources is irregular, the electricity grid must be designed to better handle an uneven supply and other technical challenges. More and more electricity consumers also produce and sell their own electricity by connecting solar panels to the electricity grid.

When the need for electricity increases in society, there is also an increased need for flexibility solutions and energy storage. To manage imbalances in both electricity supply and demand, more local production, investments in national, regional and local networks and innovative digital solutions for smarter management of the electricity system are needed.

Electrification of transports and industry

Industries and transport need to be electrified to ensure that Sweden achieves its climate targets but also to maintain its competitiveness. This requires the electricity system to be modernised and expanded. The transition to an electrified transport sector is moving rapidly and many major vehicle manufacturers have ambitious targets. Developments are



“Network investments of SEK 945 billion will be needed in Sweden by 2045.”

moving incredibly fast and the expansion of charging points is crucial. Electric vehicles both demand an increased need for charging capacity and provide storage opportunities that could contribute to balancing electricity use.

Rapid developments towards electrified processes are also under way within industry. Swedish industry is heading for a comprehensive transition that could have huge positive effects on the emission of greenhouse gases.

Strategic sustainability work

As an electricity network company, Ellevio is essential for a sustainable society. But the transition also requires us, like everyone else, to contribute via our own operations. Ellevio wants to be a role model and have the smallest possible footprint. For that reason, sustainability is a driving force throughout the organisation.

Ellevio is a signatory of the UN Global Compact and supports Agenda 2030 and the UN Sustainable Development Goals (SDGs) and the Paris climate agreement. Contributing to the SDGs is a matter of course for us and an integral part of our business strategy. Our core business has the greatest contribution to the four goals on the right side.

Our Annual and Sustainability Report for 2023 describes how we manage our sustainability work, our commitments, how we measure our progress, and what results we achieved in 2023. Read more in the section 'In-depth sustainability information' on pages 83–124 and on pages 22–24 and in the CEO's statement on pages 8–10.

The taxonomy

Transmission and distribution of electricity	Percentage eligible, %	Percentage non-eligible, %	Percentage aligned with the taxonomy, %	Percentage aligned with the taxonomy, of percentage eligible, %
Sales	100	0	100	100
Capital expenditure	99	1	99	100
Operating expenses	94	6	94	100



Ellevio's operations and investments enable the climate transition

The EU taxonomy is an important tool in achieving the EU's climate targets and the objectives of the EU's green growth strategy. Electricity grids are classified as an "enabling activity" in terms of limiting climate change (goal 1), and Ellevio's operations are categorised under Section 4.9 of the taxonomy: "Transmission and distribution of electricity".

Following an extensive review and analysis during 2022, Ellevio has concluded that its operations are both eligible for and aligned with the taxonomy to a very large extent.

The taxonomy thus gives us the opportunity to put concrete numbers on what we have long claimed: that Ellevio's operations and investments enable the climate transition.

SDG 7

Sustainable energy for all

This is our social mission and what our long-term investments are aimed at.



SDG 9

Sustainable industry, innovation and infrastructure.

The electricity system is essential to society and enables the transition to a fossil-free world.



SDG 11

Sustainable cities and communities

By creating the electricity system of the future, Ellevio contributes to a sustainable society.



SDG 13

Combating climate change

In addition to electrification being crucial for the transition to a fossil-free society, we work actively to reduce the emissions and environmental impact from our own operations, and also to adapt electricity networks to a changing climate.



New green bond framework

In May 2023, Ellevio AB launched a new framework for green financing to promote investments that contribute to the Paris Agreement and the UN Sustainable Development Goals. The new framework is adapted to the EU taxonomy and has obtained a second party opinion from ISS ESG.



→ Download the framework [here](#)

→ ISS ESG's statement is available [here](#)



The second party opinion by ISS ESG, one of the world's leading rating agencies in the field of sustainable investment, concludes that the new framework:

- is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles,
- will finance projects that contribute to UN SDG 13 'Climate action',
- is aligned with the EU Taxonomy regarding the Climate Change Mitigation Criteria, the Do No Significant Harm Criteria and the Minimum Safeguards requirements.

Use of proceeds

According to the new green framework eligible green projects may include the current value of fixed assets ("Assets"), capital expenditures ("CapEx") and/or operational expenditures ("OpEx") associated with the Eligibility Criteria.

Green Bond Principles Category

Renewable Energy.

Eligibility and alignment criteria¹⁾

Interconnected European System

The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.

More than 67 percent of newly enabled generation capacity in the system is below 100g CO₂e/ kWh rolling-five-year

The average system grid factor is below 100g CO₂e/kWh rolling-five-year

Exclusion Criteria

Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100g CO₂e/kWh measured on a life cycle basis is not compliant

Installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 is not compliant

Alignment 2023

- Ellevio's system is a part of the interconnected European system and its' subordinated systems.
- The share of newly enabled generation capacity in the system with emission factor below 100g CO₂e/kWh was 99 percent rolling-five-year.²⁾
- The average system grid factor rolling five years was 26g CO₂e/kWh.³⁾
- None of the exclusion criteria occurred in 2023.

Impact Indicator

Estimated annual avoided GHG emissions (tCO₂e/year)⁴⁾

Estimated annual avoided GHG emission (tCO₂e/year) was 1,960,200 tonnes CO₂e in 2023.

Environmental Responsibility Indicators⁵⁾

System Average Interruption Duration Index, SAIDI
SAIDI (average outage minutes per customer) was 58 in 2023.

SF6 leakage

SF6 leakage (kg) amounted to 33.2 kg in 2023.

Grid losses (GWh)

Grid losses amounted to 871 GWh in 2023.

¹⁾ Electricity grids are classified as an "enabling activity" in terms of limiting climate change (goal 1), and Ellevio's operations are categorised under Section 4.9 of the taxonomy: "Transmission and distribution of electricity".

²⁾ During the year, Ellevio connected new wind and solar power to the network. These types of power have a greenhouse gas (GHG) emissions intensity far below 100g of CO₂e/kWh based on the life cycle. For more information, see Ellevio Annual and Sustainability Report 2023.

³⁾ "The system" refers to Sweden's electricity grid as electricity production in Ellevio's network takes place both within the own network and in grids owned by other companies. Verifiable data on which electricity is fed into Ellevio's network from overhead grids is not available to Ellevio. Thus, official data is used for values of the average emission factor for the Swedish network: <https://www.nowtricity.com/country/sweden>.

⁴⁾ The emission factor for Ellevio's network is considered to be the same as for the Swedish electricity grid, which has averaged 19g CO₂e/kWh during 2023. The taxonomy threshold for contributing to climate change mitigation is <100g CO₂e/kWh. The difference between this threshold value and the emission factor for the Swedish electricity grid is thus 81g CO₂e/kWh, which is therefore used to calculate how much CO₂ emissions are avoided by transferring the electricity in Ellevio's grid, compared to transferring electricity in a system with grid factors above 100g CO₂e/kWh. In 2023, Ellevio transmitted 24.2 TWh of electricity (Source: Ellevio Annual and Sustainability Report 2023).

⁵⁾ Source: Ellevio Annual and Sustainability Report 2023.

Ellevio's green bonds

Ellevio has so far issued bonds under the Green Framework of 2023 on three occasions. The net proceeds from these bonds will be used to finance a portfolio of Eligible Green Projects in accordance with the Eligibility Criteria specified in the Framework.

Ellevio's green bonds as of March 2024

ISIN	Amount	Start date	Maturity	Fixed/ Variable	Fixed /FRN	Coupon	Type
XS2187707893	1,000 MSEK	11 Jun 2020	11 Jun 2027	7y	FRN	Stibor 3M +143bps	Ellevio Green Bond Framework 2019
XS2187708198	1,000 MSEK	11 Jun 2020	11 Jun 2027	7y	Fixed	1,728%	"–"
XS2630500887	3,000 MSEK	1 Jun 2023	1 Jun 2029	6y	Fixed	4,53%	Ellevio Green Finance Framework 2023
XS2748854242	1,450 MSEK	16 Jan 2024	16 Jan 2032	8y	Fixed	4,23%	"–"
XS2748854671	1,550 MSEK	16 Jan 2024	16 Jan 2032	8y	FRN	Stibor 3M +170bps	"–"
XS2777383840	500 MEUR	7 Mar 2024	7 Mar 2034	10y	Fixed	4,125%	"–"

In June 2023, Ellevio issued the first bond under the new green framework, a SEK 3 billion green bond targeting Swedish investors. In January 2024, a further SEK 3 billion (two tranches, Fixed/FRN) green bond were issued. In March 2024, Ellevio issued its first Green EUR bond in a public transaction of EUR 500 million.



Approved projects and allocated amounts

Eligible Green Projects include taxonomy aligned Capex and taxonomy aligned Opex less Capex linked to project specific financing agreements and are added to Ellevio's Eligible Green Project Portfolio.



The starting date for calculating Eligible Green Projects is January 1, 2020, i.e. the date when Ellevio issued its first Green Bond.

In 2023 SEK 3,273 million was added to the Eligible Green Project Portfolio. Since the start in 2020 a total of SEK 14,033 million of taxonomy aligned Capex and Opex less Capex linked to specific project financing agreements has been added to the Portfolio.

Allocation of proceeds from Green Finance Instruments

The goal is to allocate raised funding towards the Eligible Green Project Portfolio within 12 months of new green funding being taken up. The SEK 2,000 million Green Bond raised in 2020 under the Framework from 2019 was gradually allocated in 2020 to 2022. Green Bonds raised in 2023 and first quarter of 2024, in total approximately SEK 11,610 million was allocated to Eligible Green Projects Portfolio as per end of March 2024, whereby the net proceeds from

these Green Bonds was moved from Ellevio's Green Account. After allocation, the balance on the Green account amounts to SEK 0. Eligible Green Project Portfolio amounts to SEK 423 million after allocation.

100 percent of the net proceeds raised under the Green Bonds raised has been allocated to taxonomy aligned Capex and Opex spent in 2020–2023.

Calculation of Eligible Green Projects

MSEK

Year	Taxonomy aligned Capex	Taxonomy aligned Opex	Less Capex linked to project financing agreements	Sum of Eligible Green Projects	Accumulated sum of Eligible Green Projects (Eligible Green Project Portfolio)
2020	3,236	573	0	3,809	3,809
2021	3,525	562	0	4,087	7,896
2022	3,267	597	-1,000	2,864	10,760
2023	3,644	629	-1,000	3,273	14,033

Calculation of Allocation of Green Financing to Eligible Green Projects Portfolio

MSEK

Year	Accumulated sum of Eligible Green Projects	Green financing Instruments raised	Allocation of Green Financing Instruments to Eligible Green Projects Portfolio	Green Account	Eligible Green Projects Portfolio less Allocations
2020	3,809	2,000	-356	1,644	3,453
2021	7,896	0	-1,046	598	6,494
2022	10,760	0	-598	0	8,760
2023	14,033	3,000	0	3,000	12,033
2024	n.a	8,610	-11,610	0	423
Total	n.a	13,610	-13,610	0	423

Investments that enable climate transition

As one of Sweden's largest electricity grid companies, Ellevio has a central role in the country's journey towards freedom from fossil fuels. To meet society's needs, Ellevio has an extensive investment programme.

Investment projects in selection from 2023

The network investments were at a record high for 2023, and the rate of investment is expected to increase further in the coming years.

In the Stockholm region, the new Beckomberga–Bredäng power cable was brought into operation in October 2023 and the demolition of the old overhead lines could begin. The new cable is unique in that it is the first time a 400 kV line is established through such a densely populated area. Half of the 12 kilometres long power line lies at the bottom of Lake Mälaren, and the other half is buried in the ground.

Another important investment in the capital region that commenced during the year, is the major network investments at Ekerö outside Stockholm. Until 2027, several projects will be implemented to modernise the municipality's electricity network. The Ekerö investments aim to greatly reduce the number of power outages, among other things by creating redundancy and enabling remote control and monitoring capabilities.

In rural areas, our focus is mainly on wind power connections, increased capacity, renewals and weather resilience. During the

year, the strengthening of a regional 130 kV overhead line between Munkfors and Kil in Värmland was finalised.

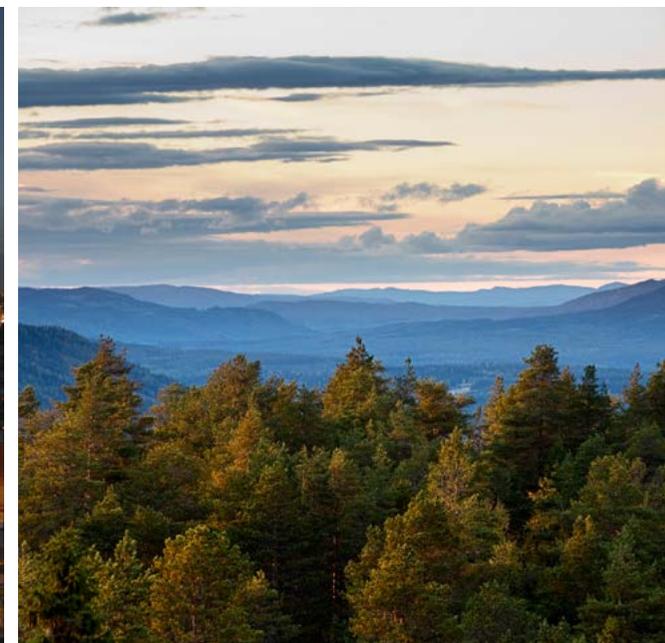
Examples of other ongoing projects during 2023 are the capacity increase of the electricity network in the centre of Bollnäs in Hälsingland and the expansion of the 130 kV substation in Dingelsundet in Värmland for the connection of 100 MW lake Vänern-based wind power.



The new Beckomberga–Bredäng power cable was brought into operation.



Several projects to modernise the Stockholm region's electricity network.



The strengthening of a regional overhead line in Värmland was finalised.

Independent assurance report

TO THE BOARD OF DIRECTORS OF ELLEVIO AB (PUBL), ORG.NR 556037-7326

Introduction

We have been engaged by the Board of Directors of Ellevio AB (publ) to perform a review of the information reported on page 9 of the Board and Managing Director's report "Ellevio's Green Bond Investor Report May 2024" for Ellevio AB (publ) for the period 2023-01-01 – 2024-03-31 ("the Report") that proceeds raised from issuance of Green Bonds of SEK 11,610 million during the period has been used in accordance with the criteria stated in Ellevio's Green Finance Framework (the framework).

The set criteria in the framework are to finance investments in renewable energy.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the conditions underlying the Green Bond are fulfilled in accordance with the requirements of the framework, that they are used in the intended way and within the activities specified in the framework which shows the type of projects that can be financed. The Board of Directors and Managing Director are responsible for preparing and submitting the Investor Report.

Auditor's responsibility

Our responsibility is to express a conclusion on the basis of our procedures. We have performed our procedures in accordance with ISAE 3000 Assurance Engagements Other than

Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements and plan and perform the procedures to obtain limited assurance with respect to the engagement described above.

The firm applies ISQM 1 (International Standard on Quality Management 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

The review includes, through various measures, obtaining evidence about financial and other information in the Report. The auditor selects which measures are to be carried out, including assessing the risks of material misstatement in the Report, whether these are due to fraud or errors. In this risk assessment, the auditor considers the parts of the internal control that are relevant to how the Board of Directors and Managing Director prepare the Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of making a statement about the effectiveness of the internal control. The review has been limited to making inquiries, primarily of persons responsible for financial and accounting matters, and

applying analytical and other review procedures. The review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our review procedures and the evidence obtained, nothing has come to our attention to indicate that the reported information on page 9 of the Board and Managing Director's Green Bond Investor Report dated May 2024 has not, in all material respects, been used for other purposes than projects in accordance with the criteria set out in the framework.

Stockholm May 20, 2024
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

ELLEVIO

ellevio.se