

OCTOBER 2022

# GREEN FINANCE FRAMEWORK



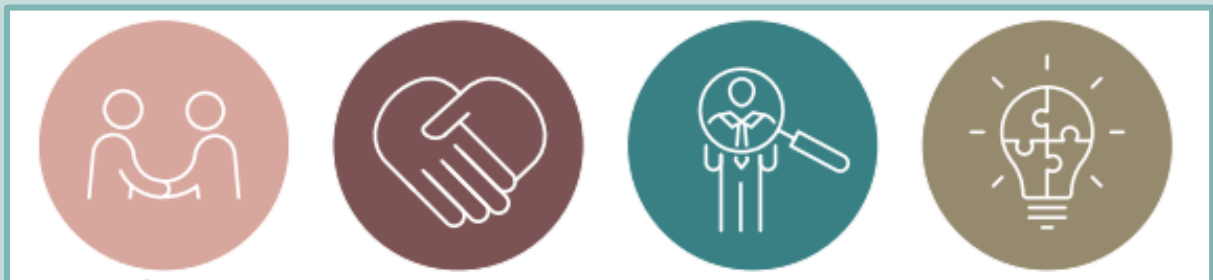
# This is Ferde

Ferde AS ("Ferde") is a regional toll collection operator, established in 2016 and equally owned by the counties of Agder, Rogaland and Vestland in the southwestern parts of Norway, headquartered in Bergen. There are currently five regional toll collection operators in Norway, with a state mandate to ensure efficient toll collection and to finance infrastructure projects in their respective regions.

As a toll collection operator, Ferde does not participate in the decision-making process around which specific infrastructure projects will be initiated in the region, but the company is instrumental in ensuring efficient toll collection and beneficial terms of financing. Toll collection contributes to financing increased access to public transport solutions such

as light rail, trams and buses, road improvement works to advance connectivity and reduce the risk of road accidents, as well as efficient accessibility for bicycles and pedestrians. The overarching objective is to ensure an efficient, accessible, safe and environmentally friendly transport system that covers society's needs for transport and promotes regional development.

Ferde's main responsibilities include ensuring efficient toll collection and cost-effective financing of infrastructure projects in the local region. The company's vision is to efficiently finance the transport solutions of tomorrow. To ensure Ferde delivers on this vision, four guiding values have been set to steer the everyday work.



**Open** Ferde shall be a transparent organization towards all stakeholders, including travelers, owners and business partners.

**Reliable** Ferde has an important role in society, and it is therefore essential that the company is reliable and trustworthy.

**Accountable** Ferde shall be accountable in everything the company says and does towards road users, owners and business partners.

**Innovative** Ferde shall be the best at what they do, and the company's goal is to create the most efficient toll collection solutions for the future.

## Ferde's Approach to Sustainability

Ferde's owners have a clear expectation on the company to conduct business with ethics and sustainability in mind, and this is further described in their respective Ownership Declarations (Norwegian: Eigarskapsmelding), available on their websites<sup>1 2 3</sup>.

Ferde's greatest potential for positive environmental impact is through the various infrastructure projects for which the company provides financing. The company thereby has an important role to play in contributing to Norway's environmental targets of reducing greenhouse gas (GHG) emissions. During the current strategy period, spanning from 2021 to 2023, Ferde has set a specific strategic ambition to be a driving force for sustainable, efficient and secure financing of infrastructure projects in Norway.

The direct environmental impact from Ferde's operations is limited, however the company continuously work to minimize its footprint, including initiatives in recycling, energy efficiency, paper-less invoicing as well as raising internal awareness.

### Eco-Lighthouse certification

Ferde has been Eco-Lighthouse certified since 2016. The Eco-Lighthouse certification scheme became the first Norwegian scheme to be recognised by the European Union. By this, the scheme meets high environmental and quality standards in line with international labelling schemes like EMAS and ISO 14001. Being Eco-Lighthouse certified, means that the company adheres to strict criteria within work environment, procurement, energy, transport, waste management and emissions. Ferde will also during 2022 aim to be officially certified in line with ISO 14001.

### Code of conduct

Starting Q2 2022, Ferde has a dedicated Head of Procurement and Sustainability responsible for planning and implementing the company's work within sustainability. In line with the company's values, an important part of the sustainability work is to ensure documentation and reporting of actions taken and their impact. Ethical conduct is also of utmost importance, and covers all aspects of the business, including business strategies, investments, employment terms and choice of business partners. This forms the basis of Ferde's code of conduct, which is aligned with the UN Global Compact ten principles on human rights, labour, environment and anti-corruption, as well as the recommendations from the Norwegian Corporate

Governance Board ("NCBG" or "NUES"). Ferde is also expected to actively work to prevent crime and corruption, and transparency is key in this process.

The code of conduct is applicable to all employees, including temporary consultants as well as board members, and Ferde also expects suppliers to adhere to it. Since January 2021, the code of conduct is part of all new contracts with suppliers and subcontractors. In addition to adhering to national and international rules and regulations, this imposes additional requirements and expectations. These include expectations on suppliers to carry out their operations in a way that minimise any negative environmental impact, and to develop and implement relevant environmental standards. In addition, hazardous chemicals and waste, as well as other harmful substances, should be handled responsibly. Ferde also encourages suppliers and subcontractors to use and develop environmentally friendly technologies, products, and services.

### Quality Governance

To ensure strong quality governance throughout the organization, Ferde has a dedicated Quality Department and an electronic quality governance system. This department is responsible for ensuring compliance with regulations and standards, risk assessments and management, monitoring of issues and deviations, policies and processes for health, safety and (work) environment, as well as general monitoring and control of internal processes.

### Norway's Transparency Act

Ferde has started working towards being compliant with the Norwegian "Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions" (Transparency Act), which will enter into force in July 2022. Companies covered by this regulation are required to perform relevant risk assessments. Ferde has completed an initial risk assessment of the supplier base and will complete a full assessment within July 2022. The purpose of the risk assessment is to obtain an initial overview and to analyse the risk of violations against human rights and decent working conditions in the supply chain and with other business partners. Additionally, Ferde has included corruption and environmental risks in the assessment. Should the assessment uncover risks, or actual breaches, Ferde will take action to stop, reduce or prevent these risks. The assessments and any findings will be shared openly and accessible to the public.

<sup>1</sup> [Eigarskapsmelding Vestland fylkeskommune 2021](#)

<sup>2</sup> [Eigarskapsmelding Agder fylkeskommune 2020](#)

<sup>3</sup> [Eierskapsmeldinger - Rogaland fylkeskommune \(rogfk.no\)](#)

## The Norwegian Climate Change Act

In 2017, the Norwegian government passed the Climate Change Act (Norwegian: "Klimaloven"), stating that GHG emissions should be reduced by 40 percent by 2030, compared to 1990 levels. By 2050, Norway shall be a low-emission society, meaning that GHG emissions should be reduced by 85-90 percent.

The transportation sector represents approximately one third of Norway's GHG emissions, and the Climate Change Act sets a target to reduce these emissions by 50 percent by 2030 compared to 2005 levels. To achieve this target, zero- and low-emission technologies are essential. The National Transport Plan 2018-2029 (Norwegian: "Nasjonal transportplan") introduced a 2025 target for all new personal cars and light freight vehicles to be zero tailpipe emission vehicles, and new local public transport buses to either have zero tailpipe emission or run on biogas. By 2030, 75 percent of new long-distance buses should have zero tailpipe emissions.

A government-initiated zero-growth target for personal car transport in all larger cities has been in place since 2012, and this has also been integrated into the National Transport Plans. This means that the growing demand for personal transport should, first and foremost, be met by public transport solutions and improved accessibility for bicycles and pedestrians, rather than increasing the number of personal cars.



## Sustainability Initiatives in Ferde's Ownership Counties

### Rogaland

In 2020, the Rogaland county council approved the county's first Climate Adaptation Plan<sup>4</sup>. The plan sets strategic priorities to ensure the county is better prepared to manage and mitigate climate related risks. Existing buildings and infrastructure must be protected against climate risks, such as risk of flooding, and such risks shall also be included when assessing and planning new projects. Safe and robust transport infrastructure is a priority, while at the same time safeguarding biodiversity and local ecosystems.

### Agder

In 2016-2017, a Climate Roadmap<sup>5</sup> was initiated in Agder, providing guidance to municipalities on how to reduce GHG emissions in the region. The roadmap describes relevant actions for small, mid-sized and larger municipalities respectively across four areas; transportation, construction, food and agriculture, as well as manufacturing. Within transportation, the roadmap focuses on actions to

introduce zero-emission vehicles, reducing the need for transportation and increasing access to public transport as well as pedestrian and bicycle lanes.

### Vestland

In 2021, the Vestland County Council adopted a new program for a Regional Climate Plan for 2022-2025<sup>6</sup>. The program includes high ambitions focused on transition and zero emission solutions. The process will focus on clarifying how Vestland can solve challenges associated with climate change. This will also positively contribute to sustainable business development, food security, biodiversity, reduced climate related risks, and contribute to a high standard and quality of living in the region. Within transportation, the plan will prioritise initiatives to reduce the need for transportation by ensuring efficient area and city planning, replace current public and freight transport solutions with more climate friendly alternatives, and improve logistics and infrastructure for zero-emission transport.

## Infrastructure Investments Funded by Ferde's Toll Collection

Ferde contributes to the financing of a large number of infrastructure projects in the counties of Rogaland, Agder and Vestland. An updated list of all projects can be found in the annual report. Four of the projects of most relevance for green financing as of October 2022 are described in more detail below.

### City Growth Plan for Bergen

(Norwegian: Byvekstavtale Bergen)

The City Growth Plan for Bergen was approved in 2017 and covers investments of approximately NOK 30 billion over a 20-year period, of which approximately NOK 11 billion will be financed by toll collection. Over this time period, the population of Bergen is expected to increase by 20.000 people, which in terms of transport means an additional 100.000 travels per day.

In accordance with the zero growth target for personal car transport, the increasing demand for transport should be met by low-carbon and environmentally sustainable transport solutions and with an overall objective to reduce greenhouse gas emissions. Investments will focus on extending and improving current light rail capacity, increasing public bus services and improving travel conditions for cyclists and pedestrians. New areas should always be planned from the pedestrian's perspective and the investment plans include a main bicycle route of 115 kilometers as well as local routes of 250 kilometers. The regional train service, Bybanen, is a central part of the public transport network in the Bergen region, and the City Growth Plan involves adding additional rail kilometers as well as increasing capacity of existing lines and stations.

As more travelling is shifted from car transport to public transport solutions as well as by using bicycle and pedestrian pathways, some central city roads will be reserved for buses, further decreasing greenhouse gases in the city centers.

<sup>4</sup> [regionalplan-for-klimatilpasning-i-rogaland-2020-2050.pdf \(rogfk.no\)](#)

<sup>5</sup> [Klimaveikart Agder - Agder fylkeskommune \(agderfk.no\)](#)

<sup>6</sup> [Regional plan for klima 2022-2035 - Vestland fylkeskommune](#)

### **City Environment Plan for Nord-Jæren** (Norwegian: Bymiljøpakken Nord-Jæren)

The City Environment Plan for Nord-Jæren was approved in 2014 and includes investments of approximately NOK 30 billion in roads, bus lanes, bicycle lanes and pedestrian pathways to be finalized by 2033, of which approximately NOK 13 billion will be financed by toll collection. Investments will include road improvement works as well as separate heavy transport, bus and bicycle lanes with the goal of improving transport efficiency for all.

The regional train service, Jærbanen, is an important part of the public transport offering in the region and investments are now also being made in a main bus road connecting relevant parts of the region. Approximately 58% of the population in Nord-Jæren lives along the planned bus route, and given increasing housing developments in the area, the number is expected to increase further. Investments in bicycle and pedestrian roads will also be prioritized along the bus route.

### **Nordhordlandspakken**

Nordhordlandspakken was approved in 2014 and includes investments of approximately NOK 1,5 billion in Lindås, Meland, Radøy, Fedje, Austrheim, Masfjorden and Modalen municipalities, of which NOK 1,2 billion will be financed by toll collection. The region is expecting its population to grow from 35.000 to 45.000 before 2030, and is therefore in need of upgrades and expansion of existing transport solutions. Planned investments include road improvement works to reduce the number of traffic accidents, better travel conditions for cyclists and pedestrians, better access to public transport and other environmentally friendly transport solutions.

### **Askøypakken**

Askøypakken was approved in 2013 and includes ten infrastructure projects. In 2022, a revised financing plan was approved to complete five commenced and remaining projects. Investments include infrastructure for roads and public transportation, as well as better travel conditions for cyclists and pedestrians. Together with the remaining funds from the first Askøypakken, total investments in the period 2022-2033 will be approximately NOK 1,7 billion, of which NOK 1,3 billion will be financed by toll collection.



# Ferde and Green Finance

Ferde's vision is to efficiently finance the transport solutions of the future, and many of these solutions relate to public transport and other forms of environmentally efficient transportation. In 2019, Ferde published an inaugural Green Bond Framework, aligned with the ICMA Green Bond Principles from 2018, and became the first regional toll company in Norway to issue a green bond. Since then, best practice has developed, the EU has increased its ambition levels within sustainable finance, and Ferde as well as the company's owners have taken steps to increase the focus on sustainability. As a result, a new Green Finance Framework has been established to mirror best practice, and to enable Ferde to increase the share of green financing in the portfolio.

This new Green Finance Framework (the "Framework") enables Ferde to issue both Green Bonds and Green Loans (hereinafter collectively referred to as "Green Finance Instruments"). The Framework is aligned with the ICMA Green Bond Principles and the LMA Green Loan Principles from 2021 and has been prepared in cooperation with DNB Markets.

The Framework defines the assets and projects that can be financed by Green Finance Instruments ("Green Projects"), and it also outlines the process to evaluate, select, track and report on such investments.

Each Green Finance Instrument issued under this Framework should in their relevant transaction documentation refer to this Green Finance Framework.

Recognising that the green finance market and best practice evolve over time, Ferde will follow market developments and if deemed necessary by the company, this Framework may be updated. This Green Finance Framework shall have no impact on Green Finance Instruments issued under previous or future versions of the Framework.



# Use of Proceeds

An amount equal to the net proceeds from Green Finance Instruments issued under this Green Finance Framework will be used to finance a portfolio of assets, in whole or in part, that enable and promote clean transportation solutions.

Only such assets and projects that comply with the list of Green Projects below are deemed eligible to be financed by Green Finance Instruments. Net proceeds from Green Finance Instruments can be used for the financing of new assets and projects, as well as for refinancing purposes.

For the avoidance of doubt, Green Finance Instruments will not be used to finance investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco.

## Alignment with relevant standards and guidelines

Ferde's aim is for this Green Finance Framework to meet best practice by adhering to relevant standards and guidelines in the green finance market. Each Green Project category has therefore been mapped against the different categories of the **ICMA Green Bond Principles** ("ICMA GBPs"), the relevant **UN Sustainable Development Goals** ("UN SDGs") as well as the relevant activities included in the **EU Taxonomy**.

### The EU Taxonomy

The EU Taxonomy provides a classification system for identifying environmentally sustainable economic activities. The Taxonomy Regulation, which entered into force in July 2020, states that to qualify as environmentally sustainable, an activity should 1) make a substantial contribution to the achievement of one or several of EU's six overarching environmental objectives, 2) do no significant harm to the achievement of any of the other environmental objectives, and 3) meet minimum social safeguards.

In April 2021, the first set of delegated acts providing technical screening criteria for two of the environmental objectives – **Climate Change**

**Mitigation** and **Climate Change Adaptation** – were published.







The Green Projects financed under this Framework represent activities that are included in the EU Taxonomy and where there are technical screening criteria available to assess whether the investments make a substantial contribution towards **Climate Change Mitigation**. Mapping against the relevant economic activities of the EU Taxonomy can be found in the table below.

As part of the Second Party Opinion process, CICERO Shades of Green has conducted an EU Taxonomy alignment assessment. For the full analysis, please see the Second Party Opinion.

Ferde acknowledges that metrics and thresholds may change over time, and the mapping in this Framework represent the EU Taxonomy criteria applicable as of September 2022. It is Ferde's ambition to monitor developments, and when seen as relevant, this Green Finance Framework may be updated to further harmonise with future versions of the EU Taxonomy.

## Green Projects

Green Finance Instruments issued under this Framework will finance and refinance a portfolio of assets and projects within the following Green Project categories.

Green Project Category	EU Taxonomy	ICMA GBPs	UN SDGs
<b>Rail infrastructure</b> Construction, upgrades, and maintenance of rail infrastructure, including tracks, stations, and related systems	6.14 Infrastructure for rail transport	Clean transportation	
<b>Infrastructure for low-carbon transport</b> Construction, upgrades, and maintenance of road lanes dedicated to low-carbon transport such as public transport, electric/hydrogen vehicles, and personal cars with more than two passengers <sup>7</sup> , as well as infrastructure and installations dedicated to public transport	6.15 Infrastructure enabling low carbon road transport and public transport	Clean transportation	
<b>Pedestrian pathways</b> Construction, upgrades, and maintenance of pedestrian zones, pathways, pavements, and tunnels	6.13 Infrastructure for personal mobility, cycle logistics	Clean transportation	 
<b>Bicycle lanes</b> Construction, upgrades, and maintenance of bicycle lanes and tunnels	6.13 Infrastructure for personal mobility, cycle logistics	Clean transportation	 

<sup>7</sup> The definitions of these lanes (Norwegian: "kollektivfelt" and "sambruksfelt") are set by the Norwegian Public Roads Administration and may change over time.

# Process for Project Evaluation and Selection

As a toll collection company, Ferde does not participate in the decision-making process around which specific infrastructure projects will be initiated in the region. The respective counties are responsible for deciding which projects to initiate, including any assessments of financial, environmental, social and governance factors relevant for such decisions. Infrastructure projects in the region may also be led by Statens Vegvesen (English: the Norwegian Public Roads Administration) and/or Nye Veier AS (English: New Roads AS).

Only such infrastructure projects that comply with the list of Green Project criteria in this Framework can be financed by Ferde's Green Finance Instruments. Ferde has established a Green Finance Committee to be in charge of evaluation and selection of which infrastructure projects are to be included in the portfolio of eligible Green Projects. The committee consists of members from Ferde's management team, including the CFO, as well as the Head of Procurement and Sustainability.

All decisions will be made in consensus and the committee will keep a register of all eligible Green Projects. To ensure transparency and traceability,

all decisions made by the committee will be documented and filed.

The committee holds the right to exclude any Green Project already funded by Green Finance Instruments and this process is further described under "Management of proceeds".

The committee is also responsible for any future oversight and updates of this Green Finance Framework.

As part of the Second Party Opinion process, CICERO Shades of Green has performed a Taxonomy-alignment assessment of the project categories eligible for financing under this Framework. The assessment of Do No Significant Harm has mainly been based on information from the Rogaland and Vestland counties as well as from the Norwegian Public Roads Administration, as it is with these partners that we have currently identified relevant Green Projects. If a Green Project developed by Agder or Nye Veier AS would be relevant for financing, the Green Finance Committee will endeavor to ensure that the same Taxonomy criteria remain applicable before approving proceeds from Green Finance Instruments be allocated to such project.

## Management of Proceeds

An amount equal to the net proceeds from issued Green Finance Instruments will be earmarked for financing and refinancing of Green Projects as defined in this Green Finance Framework. For regulatory purposes, each infrastructure project represents a separate account. Each Green Finance Instrument issued under this Framework will be related to a specific set of infrastructure projects and the net proceeds will as such be credited to the relevant project account. Within each account, Ferde will keep records of the share of green versus regular funds.

If a Green Project already financed by Green Finance Instruments loses its eligibility, as assessed by the Green Finance Committee, it will be replaced by another Green Project. Ferde's Finance Department will endeavor to ensure that the value of Green Projects at all times exceeds the total amount of Green Finance Instruments outstanding.

Net proceeds from Green Finance Instruments awaiting allocation to Green Projects will be managed according to the overall liquidity management policy of Ferde and may be invested in short term money market instruments and cash.

# Reporting

To enable investors and other stakeholders to follow Ferde's issuance of Green Finance Instruments and of the Green Projects being funded, an investor letter will be made available on the company's website. The investor letter will include an Allocation Report and an Impact Report and be published annually as long as there are Green Finance Instruments outstanding.

## Allocation Report

The Allocation Report will include the following information:

- Amounts invested in each of the Green Project categories and the share of new financing versus refinancing
- Examples of Green Projects that have been financed by Green Finance Instruments
- The nominal amount of Green Finance Instruments outstanding, divided into Green Bonds and Green Loans
- The amount of net proceeds awaiting allocation to Green Projects (if any)

## Impact Report

The Impact Report aims to disclose the environmental impact of the Green Projects financed under this Framework. Impact reporting will, to some extent, be aggregated and depending on data availability, calculations will be made on a best intention basis. The assessment may, where applicable, be based on the metrics listed below.

- Number of kilometers of new train lines, including finalised projects as well as those under construction
- Number of kilometers of new low-carbon transport lanes, including finalised projects as well as those under construction
- Number of kilometers of new pedestrian pathways, including finalised projects as well as those under construction
- Number of kilometers of new bicycle lines and tunnels, including finalised projects as well as those under construction
- Where available, estimated GHG emissions reduced and/or avoided on project level\*
- Where available, estimated reduction in car use\*

\*Calculations on estimated GHG emission reduction are frequently made at project level by the relevant authority responsible for the specific project, such as the municipality or the county. Estimations for car traffic being replaced by lower-carbon alternatives are also made for certain projects. As such data is calculated and owned by the project owner, Ferde cannot guarantee data availability over time but where available, it is Ferde's intention to report on such data.

## External Review

Ferde has obtained a Second Party Opinion from CICERO Shades of Green to confirm the transparency of this Green Finance Framework and its alignment with the 2021 ICMA Green Bond Principles and LMA Green Loan Principles as well as the EU Taxonomy criteria for Climate Change Mitigation. The Second Party Opinion will be made available on the company's website, together with this Green Finance Framework.

An independent auditor appointed by Ferde will provide a limited assurance report confirming that an amount equal to the net proceeds from issued Green Finance Instruments has been allocated to Green Projects.