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# Sustainable electricity networks a prerequisite for the climate transition.

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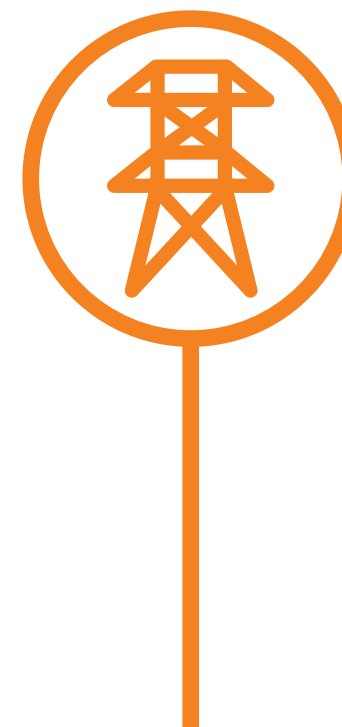
Ellevio is one of Sweden's largest electricity network companies. We safeguard the supply of electricity to homes, workplaces and societal functions by ensuring that the electricity network in our network areas is sustainable over the long term. Producing and maintaining a reliable supply of electricity is one of society's most vital tasks. The electricity network is crucial in terms of achieving global climate targets and for delivering on Sweden's target of net zero CO2 emissions by 2045.

Over the course of 2019 and 2020, 22 sectors in Sweden produced roadmaps for fossil-free competitiveness in order to achieve the target of making Sweden the world's first fossil-free welfare state by 2045 at the latest. The solutions in these plans often involve electrification, whereby fossil-free electricity replaces fossil fuels in both industry and the transport sector. They also involve smarter and more efficient use of the electricity network. The electricity sector's roadmap has shown how Sweden in

2045 is expected to see a rise in demand for electricity of 50 TWh – a figure that was recently adjusted upwards to equate to a doubling of electricity consumption by 2045 from today's approximately 140 TWh per year. This means that the figures invested in the electricity grids in order to manage the energy transition – previously estimated at around SEK 500 billion – will in all likelihood also be adjusted upwards. The need for investment has never been greater.

At Ellevio, we are driving the transition towards a sustainable electricity network over the long term by:

- Investing in and developing the electricity network to improve security of supply and expand capacity.
- Support customers in becoming more climate-smart and efficient.
- Developing solutions and services based on smart data and analysis.





# Trends in the market and society.

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A stable and reliable supply of electricity is a prerequisite for the functioning of our society. Ellevio is adapting its electricity network to meet the new requirements that will be created by the electrification of the transport sector and industry, digitalisation, urbanisation and the shift in the composition and location of electricity production. We also want to be prepared for a future with more extreme weather conditions as a result of today's climate change.

## **Electricity production – increasingly local and renewable**

A major expansion of renewable energy sources is currently under way in Sweden in the form of new biofuels and solar and wind power. There is also an increase in more decentralised and small-scale production of renewable electricity, which is replacing the large-scale electricity production from nuclear power and fossil fuels, for example.

Electricity production from weather-dependent energy sources, such as solar and wind, is irregular. The electricity network of the future must therefore be designed to better manage an uneven inflow from these energy sources.

## **Demographic changes creating new demands in both cities and rural areas**

In major urban areas such as the Stockholm region, population growth is continuing to increase while many rural areas are seeing a negative population trend. Demands for reliability are also increasing in every area of the country. The demographic changes are placing new demands on the electricity grids that need to satisfy greater demand from new housing, offices and infrastructure, for example.

## **Electrification of the transport sector – a long-awaited development**

The electrification of the transport sector and industry will be decisive in terms of Sweden's ability to achieve its target of net-zero emissions of greenhouse gases by 2045. Continued electrification of the transport sector will lead to a need to expand charging infrastructure, both in densely populated areas and alongside rural roads and motorways. Electric vehicles represent both an opportunity and a challenge for the electricity grids – they will contribute to a greater need for charging capacity while also representing an opportunity for storing energy that could play a part in balancing electricity consumption in the future.

## **Smart grids – the intelligent, technology-driven future of energy efficiency**

Smart grids, which include information technologies that gather, convey, store and analyse the information provided by thousands of meters, create the conditions for managing the energy system more efficiently. These types of electricity networks make it possible to ensure the right amount of electricity is produced and supplied where there is a need. Ellevio will continue to digitalise the electricity networks, including by supplying its customers with the next generation of smart electricity meters. Smart grids can also help reduce the impact of the networks on the environment through a reduction in network losses.

# Strategic sustainability efforts.

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**Ellevio is a member of the UN Global Compact and supports the UN's sustainable development goals (Agenda 2030) and the Paris Agreement. We are playing a key role in the transition to a climate-neutral society by 2045. Ellevio's mission is to improve quality of life by ensuring an electricity network that is sustainable in the long term. Our vision is to contribute to a bright and sustainable future through our commitment and expertise.**

We describe our long-term sustainability targets and sustainability strategy in our sustainability report on pages 74 to 91 – along with how we contribute to the global sustainable development goals.

Ellevio is building the electricity networks of the future, with the aim of reducing the number of outages for our customers. Regardless of whether they live in a rural or urban area, customers should enjoy an outage-free supply of electricity. Between 2016 and 2020 we invested just over SEK 14 billion

in the modernisation and futureproofing of the networks, which is more than double the amount of the previous five-year period.

The networks play a vital role in the transition to a climate-smart and emissions-neutral society. Ellevio is driving the transition by ensuring a reliable, efficient, flexible and smart distribution of electricity. The transition will require enormous investments in the electricity networks. All our future measures and investments will be sustainable and green in principle, which will benefit our customers and society as a whole.







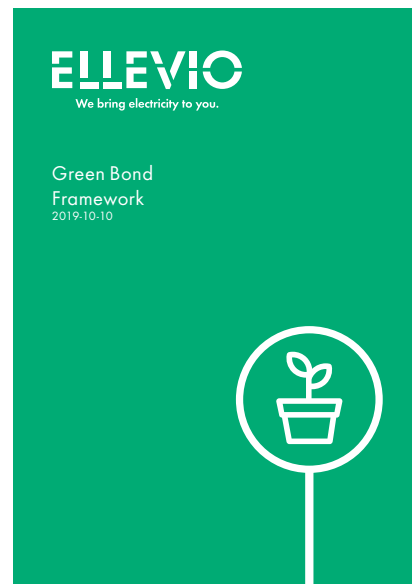


# Green bond framework.

In 2019, Ellevio launched a **green bond framework** to enable the company to issue green bonds. The aim was to offer the capital market the chance to invest in projects that support the transition to an emissions-neutral and climate-smart energy system. Projects eligible for funding are those which contribute to the UN's sustainable development goals.

The framework has been reviewed by the independent Centre for International Climate and Environmental Research, CICERO, receiving the highest score of "Dark Green". Projects that fall within the framework of green bonds deliver value in the following areas:

- Renewable energy
- Energy efficiency enhancement
- Adaptation to climate change
- Protection of natural resources
- Fossil-free transport



# Ellevio's green bond.

In June 2020 Ellevio issued its first bond under the company's framework for green bonds. The strong demand for the initial green bond led to Ellevio later increasing the value of the bond.

In June 2020 Ellevio issued its first bond under the company's framework for green bonds, with a total value of SEK 1,650 million. These were earmarked for investments in the form of smart electricity meters to be installed in close to a million households and companies in Sweden.

The strong demand for the initial green bond led to Ellevio – at the request of investors – increasing the value of the bond by SEK 350 million in August 2020. The value of the bond now amounts to a total of SEK 2 billion. The new funding has been earmarked for connecting new wind power sources to the electricity network.

The bond is issued under the company's Euro Medium Term Note (EMTN) programme on Euronext Dublin and in accordance with Ellevio's green bond framework.

ISIN	Amount (SEK m)	Start date	Maturity	Fixed/ Variable	Reference rate	Margin	Coupon	Type
XS2187707893	1,000	2020-06-11	2027-06-11	Variable	Stibor 3M	1.43%		Green
XS2187708198	1,000	2020-06-11	2027-06-11	Fixed			1.728%	Green



## Eligible green projects and allocated amounts

The eligible investment projects that have qualified for green funding in line with Ellevio's Green Bond Framework are distributed as follows:

### 31 December 2020 (SEK m)

Total amount; Eligible green investment projects	<b>3,555</b>
– Of which Energy efficiency enhancement	1,675
– Of which Renewable energy	1,880

### 31 December 2020 (SEK m)

Total amount; Green Funding	<b>2,000</b>
– Of which allocated to Energy efficiency enhancement	114
– Of which allocated to Renewable energy	242
Total amount; Non-allocated Green Funding (Balance of Green Account)	<b>1,644</b>

## Energy efficiency enhancement, smart electricity meters

The first project covered by the green bond is the smart metering project in which Ellevio installs the new generation of smart electricity meters in close to a million households and companies in Sweden.

The new smart electricity meters have a standardised interface, which opens up to a larger energy services market. This makes it possible for both energy companies and other actors in Sweden to offer services to customers. Ellevio will offer customers an app that provides a better overview of their own electricity consumption, both in terms of amount and climate impact. This will help customers use electricity in a more climate-smart way and, in the long term, enable a shift in energy behaviours whereby customers have the tools to manage their consumption in a way that reduces

the load on the network during peak hours of electricity usage. The meters are also ready to be connected to solar panels. Some of the other services enabled by the new electricity meters include smart electric vehicle charging and smart heating.

## Renewable energy, wind power

The other area covered by the green bond is the connection of new wind power to the electricity network. The proportion of wind power is growing strongly in Sweden and currently accounts for a significant part of the country's electricity supply. There is a political target for Sweden to have 100% renewable electricity production by 2040, which means the significance of wind power will only increase over the coming years.

Ellevio has taken investment decisions regarding the connection of wind farms. The investment projects eligible for green

funding intend to connect up to 1,970 MW of new wind power production to the company's regional networks over the period 2019-2022. In 2020 Ellevio connected 33 new wind turbines with a connected power of 137 MW.

**ELLEVIO**

We bring electricity to you.

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