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## Second Party Opinion

# NKT Green Finance Framework

March 6, 2026

**Location:** Denmark

**Sector:** Electrical Components and Equipment

### Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

See [Alignment Assessment](#) for more detail.

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**Dark green**

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

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## Strengths

### **NKT plays a vital role in the green transition via electrification and grid modernization.**

The company connects renewable energy directly to the grid and strengthens the grid by reducing renewable energy curtailment.

### **NKT emphasizes the importance of resilience and circularity in its strategy.**

The issuer has performed physical risk analyses of its key suppliers' sites and its operations. Production sites identified as high risk are implementing mitigation measures. The company is also enhancing circularity across the product lifecycle, with a focus on recycling, minimizing operational waste, and increasing recycled content.

## Weaknesses

No weaknesses to report.

## Areas to watch

### **NKT does not exclude selling its products and services to high-emitting customers.**

However, our assessment indicates minimal exposure to the oil and gas sector, which is projected to represent less than 1% of revenue. Furthermore, even this limited exposure is primarily for electrification projects--specifically, reducing emissions from onshore oil platforms through renewable energy integration.

## Shades of Green Projects Assessment Summary

All proceeds will finance projects in the renewable energy category. The issuer expects to allocate the majority of proceeds to refinancing projects.

Based on the project category's Shades of Green detailed below, the expected allocation of proceeds, and the consideration of environmental ambitions reflected in NKT's Green Finance framework, we assess the framework Dark green.

### Renewable energy

### Dark green

Transmission and distribution of electricity

Manufacture of renewable energy technologies

Manufacture, installation, and servicing of transmission and distribution equipment

See [Analysis Of Eligible Projects](#) for more detail.

## Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Issuer Description

NKT, founded in 1891, is headquartered in Copenhagen. It produces and installs power cables and power cable accessories for interconnections, hydroelectric power plants, onshore and offshore wind farms, solar energy, and oil and gas platforms. The issuer's production sites are all in European countries, including Germany, Sweden, the U.K., Denmark, Poland, Portugal, and the Czech Republic. NKT operates in three segments: Solutions, Applications, and Service & Accessories. Solutions offers high voltage power cable products; Applications provides low- and medium-power cable technology; and Services & Accessories provides related services and products. For 2024, NKT generated €3.30 billion (about \$3.45 billion) in revenue. It is listed on the Nasdaq Copenhagen stock exchange.

## Material Sustainability Factors

### Climate transition risk

Climate transition risks are highly material to stakeholders but tend to have more bearing on electricity networks. Electricity networks play a central role in energy delivery; more efficient, reliable, and flexible grids are critical to renewable energy integration. The energy sector's ongoing decarbonization is expected to triple its reliance on renewables, which comes with significant grid expansion. Power cables are essential for enabling renewable energy transmission, grid modernization, and electrification across sectors. To modernize and expand Europe's energy grids, transmission and distribution system operators are increasingly seeking high- and medium-voltage power cable products, which are essential for integrating clean energy, strengthening networks, and enabling cross-border power sharing. The International Energy Agency projects that achieving

national climate targets and ensuring energy security will require the world to add or replace 80 million kilometers of power grid lines by 2040--a volume equivalent to the total existing grid infrastructure globally. NKT's broad portfolio of power cables, spanning all voltage levels, allows it to effectively support grid modernization and expansion, from integrating new energy sources to reliably delivering electricity to homes and businesses.

### Waste and recycling

Circularity, waste reduction, and recycling are vital in a low-carbon economy because they cut emissions across a product's lifecycle. Recycling uses far less energy than making materials from new resources, reduces landfill and methane emissions, protects natural resources, and improves supply security. Circularity, waste reduction, and recycling are strategically important for power cable producers because its products and energy infrastructure products rely on critical materials like copper, aluminium, and polymers, which are energy-intensive, costly, and exposed to global supply risks. Circular practices help reduce dependence on new resources, lower lifecycle emissions, and minimize landfill and hazardous waste. Furthermore, regulations are tightening and enforcing companies to design recyclable, long-life products, reduce waste, and promote reuse. Despite these efforts, recycling and end-of-life management processes can still pose risks, potentially releasing pollutants and causing spills that negatively affect human health, natural resources, and biodiversity.

### Physical climate risk

Network operators own fixed assets that are exposed to physical climate risks, such as flooding or wildfires. These events can cause network service disruptions for large populations, elevating their importance to stakeholders. Cable producers and operators are facing growing physical risks from climate change and extreme weather events, both on land and offshore. These risks--including flooding, storms, heatwaves and rising sea levels--can disrupt operations and damage assets. Physical climate risks generally involve significant financial losses for operators due to repairs, but more importantly also exposure to claims due to business disruption. We expect these dynamics to continue, albeit varying regionally depending on regulatory responses. European countries are vulnerable to extreme weather events such as heatwaves, floods, storms, droughts, rising sea levels, wildfires, and changes in precipitation patterns. All EU member states have a national adaptation policy.

## Issuer And Context Analysis

**Through its framework, NKT aims to address climate transition risk, one of the most material factors for the issuer.** Eligible projects such as the manufacture of high-voltage cables for wind farms, transmission and distribution equipment, and interconnectors support greenhouse gas (GHG) reduction goals and contribute to the clean energy transition. Furthermore, circularity, waste reduction, and recycling are relevant for cable producers and operators since NKT's products rely on energy and emission-intensive materials like copper and aluminum. At the same time, projects that can be financed under the framework are exposed to physical climate risk, although the issuer has enacted mitigating measures to minimize the impacts.

**NKT's strategy centers on enabling the transition to clean electricity through grid modernization.** The company is solidifying its position as a pure-play power cable products provider and has invested in medium- and high-voltage businesses.

**To lower its substantial Scope 3 emissions (99% of its total), NKT is prioritizing its material efficiency and circularity efforts.** The company's Science-Based Targets initiative (SBTi) Scope 3 target is a 27.5% reduction in emissions from purchased goods and services and product use by 2030. However, its Scope 3 emissions increased 18% in 2025, mainly due to business growth. NKT is targeting emissions reductions within its purchased goods and services through two key levers. First, it is prioritizing the sourcing of lower-emission materials, favoring suppliers using clean energy and efficient processes, and selecting materials with reduced embodied carbon when available. Second, NKT is promoting circularity by designing for recyclability; increasing recycled content; enabling closed-loop systems; and extending product lifespans through repair, refurbishment, and integrating circular design principles into both research and development and supplier programs. The key lever to reduce use-phase emissions is grid decarbonization. In addition, the company is actively seeking alternatives to SF6, a high-potency gas used in its cables. By 2030, NKT aims for a 90% reduction in absolute Scope 1 and 2 GHG emissions

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(compared with a 2019 baseline) and 100% renewable electricity sourcing. By 2025, the company reduced Scope 1 and 2 emissions by 67%. Key actions include transitioning to renewable energy, electrification, phasing out natural gas, and exploring sustainable marine fuels for cable laying vessels.

**NKT is implementing adaptation plans to address its physical climate risk exposure.** The company has conducted thorough assessments of its production, nonproduction sites, and key suppliers to evaluate their vulnerability to physical climate hazards like flooding, heavy precipitation, and severe windstorms. The assessment used three Intergovernmental Panel on Climate Change scenarios and covers short-term (2030), medium-term (2030-2050), and long-term (2050 and beyond) horizons. NKT has identified seven production sites facing significant climate-related risks (rated very high or high) and is actively developing or implementing adaptation plans and measures to protect assets at these locations.

## Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond/Loan principles.

### Alignment Summary

Aligned = ✓    Conceptually aligned = ○    Not aligned = ✗

- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025

#### ✓ Use of proceeds

We assess the framework's green project category as having a green shade, and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green assets. Refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds. The framework does not specify look-back period for tangible assets, whereas for operating expenditure, it is two years from issuance. Eligible instruments under the framework include green bonds, loans, green hybrid bonds and other green debt instruments such as guarantees. We understand from NKT that green hybrid bonds are not convertibles or perpetual, but rather have a fixed maturity with callable options and will follow the commitments outlined in the framework, like its other bonds. Should guarantees be drawn, the issuer will ensure double counting does not occur. Finally, it will disclose the proportion of financing versus refinancing in its green finance report.

#### ✓ Process for project evaluation and selection

The framework outlines the process for selecting and evaluating eligible green assets. NKT has a dedicated green finance committee, comprising members from the issuer's treasury, sustainability, financial planning and analysis, and investor relations departments. It will meet at least annually to select and allocate eligible green assets. Project eligibility under NKT's Green Finance Framework is determined by alignment with the EU Taxonomy's Climate Change Mitigation substantial contribution criteria, do no significant harm, and minimum safeguard criteria, alongside adherence to relevant regulations, thereby involving the assessment of environmental and social risks. Furthermore, the framework restricts the allocation of proceeds to transitional economic activities, and taxonomy-aligned activities related to nuclear energy and fossil gas. NKT adheres to EU Paris-Aligned Benchmark exclusion criteria and excludes activities related to fossil fuels, controversial weapons, and tobacco in its framework.

### ✓ Management of proceeds

NKT's treasury commits to tracking the net proceeds by establishing a green financing register. The eligible green assets are monitored regularly, and the issuer will ensure that the net asset value of eligible green assets equals the value of green instruments outstanding. Unallocated proceeds will be placed in liquidity reserves and managed in accordance with NKT's liquidity management policy. With respect to the additional requirements of the Green Loan Principles, we understand the company will not be issuing green loans or facilities with multiple tranches.

### ✓ Reporting

NKT commits to annual reporting of the allocation and impact of proceeds, through its green finance report, until full allocation and in case of material developments. The report will be available on NKT's website. The allocation report will include the total amount of instruments outstanding, allocation by eligible project category, unallocated proceeds, types of temporary unallocated funds placements, and the proportion of proceeds used for financing and refinancing. NKT will report on the environmental impact of eligible green assets financed and refinanced under the framework. The issuer will also share information on the methodologies used. The allocation report will be externally verified.

## Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "[Analytical Approach: Shades Of Green Assessments](#)".

### Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in NKT's Green Finance Framework, we assess the framework Dark green.

**Dark green**

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our [Shades of Green Analytical Approach](#) >

### Green project categories

#### Renewable energy

##### Assessment

 **Dark green**

##### Description

All electricity grid assets that meet the Technical Screening Criteria of the EU Taxonomy activity 3.1, 4.9. and 3.20. This includes:

- a) Electricity grid assets where transmission and distribution infrastructure meet at least one of the following:
  - i. The system is part of the interconnected European network (EU member states, Norway, Switzerland, and the U.K.); or

- ii. Construction or installation and operation of equipment and infrastructure has the main objective of increasing the generation or use of renewable electricity.
- b) Manufacture of renewable energy technologies--such as high-voltage cables for wind farms--that are dedicated to renewable projects or customers.
- c) Manufacture, installation, and servicing of transmission and distribution equipment, provided these components help increase the share of renewable energy in the system or improve energy efficiency.

### Analytical considerations

- Reliable and efficient electricity transmission and distribution networks are important in supporting electrification and achieving a low carbon economy. Investments in making grids more flexible, strengthening their resilience to physical risks, and taking measures to reduce transmission losses are needed. At the same time, networks should be managed carefully to avoid disrupting habitats and harming biodiversity, particularly in areas of high ecological value.
- NKT's investments in electricity grid assets along with the manufacturing, installation, and servicing of equipment (including renewable energy technologies like high-voltage cables) directly support renewable energy projects or enhance energy efficiency and the integration of renewables into the grid. The company incorporates measures to address physical risks, biodiversity, and circularity. As a result, we assess these projects Dark green.
- Part of proceeds under the framework are dedicated to transmission and distribution infrastructure that form part of the European interconnectors. More than 55% of NKT's high-voltage backlog accounts for interconnectors. Interconnectors are vital for the EU's decarbonization efforts, by enabling cross-border sharing of electricity, balancing variable wind and solar output and enhancing grid stability. Interconnectors for the transmission and distribution infrastructure financed under the framework will be located across European countries, including in grids that have a higher average emission factor than 100 grams of carbon dioxide-equivalent per kilowatt-hour. While we typically consider these investments Medium green elements, we view NKT's role in strengthening and modernizing European grids and enabling further deployment of renewables as supporting the category's overall Dark green assessment.
- The issuer informed us that some financed projects can include capital expenditure (capex) to the machines for cables manufacturing that might be used for onshore electrification of oil platforms. The electrification of oil platforms, also called power from shore, is excluded from operating expenditure, but capex will inherently still allow for these productions since the manufacturing process to produce the cables is the same. NKT informed us that from 2022-2025, revenue from the oil and gas sector was about 3%, and the issuer expects it to fall to lower than 1%. The company excludes direct investments to activities associated with cables connecting renewable energy to oil and gas installations. Its exposure to the fossil fuel industry is minimal and decreasing, so it does not affect our final shading.
- NKT has assessed physical climate risks--both immediate and long-term--across its production sites, nonproduction sites, and key suppliers. This includes evaluating asset resilience under various IPCC climate scenarios and developing adaptation plans for its manufacturing sites.
- The production of materials like copper, aluminum, steel, and plastic--essential for power cables--is energy- and emissions-intensive. We recognize NKT's efforts to minimize resource use and emissions through circularity and decarbonization programs, including optimizing material usage, refining recycling processes, and the incorporation of recycled content into conductors.
- Installing and maintaining subsea cables remains emissions-intensive, even with advanced technology. We consider it a positive that NKT has recertified its vessel, Victoria, to use hydrated vegetable oil fuel; and has invested in a dual-fuel system in its new vessel, Eleonora, allowing e-methanol or biomethanol use. However, transitioning to sustainable fuels within industry presents ongoing challenges.
- NKT and its clients ensure legal compliance through comprehensive environmental impact assessments. Additionally, NKT incorporates biodiversity net gain into select cable projects, ensuring that infrastructure installation, upgrades, or replacements measurably improve biodiversity compared to pre-project conditions. For example, during onshore cable laying in Shetland, Scotland, NKT protected several bird species, including seven wader species, at the construction site.

S&P Global Ratings' Shades of Green

Assessments					
Dark green	Medium green	Light green	Yellow	Orange	Red
<b>Description</b>					
Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
<b>Example projects</b>					
 Solar power plants	 Energy efficient buildings	 Hybrid road vehicles	 Health care services	 Conventional steel production	 New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

# Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Renewable energy	 <b>7. Affordable and clean energy*</b>		

\*The eligible project categories link to these SDGs in the ICMA mapping.

## Related Research

- [Analytical Approach: Second Party Opinions](#), March 6, 2025
- [FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions](#), March 6, 2025
- [Analytical Approach: Shades Of Green Assessments](#), July 27, 2023

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## Second Party Opinion: NKT Green Finance Framework

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