

NKT

22 September 2023

Green Finance Report



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Introduction



As a leading power cable provider, NKT is a key player in the green transition.

In close collaboration with our partners, we connect offshore wind farms, strengthen the development of an interconnected power grid and ensure the ongoing extension of the distribution grid. All enabling efficient and reliable power distribution.

The green transformation of the global power supply and transmission is driving the demand for power cables. To meet this demand and to execute on our large order backlog, we initiated an investment program at our high-voltage cable factories in 2020. An investment program is a multi-year journey, which requires a stable financing setup to materialize.

The investments program was partly refinanced through the Green Hybrid Bond issued in August 2022 under the Green Finance Framework. In alignment with the framework, NKT has used the proceeds for eligible assets and expenditures that have been evaluated and selected with distinct sustainable benefits by NKT and are covered by the EU Taxonomy.

Within the first year of our Green Hybrid Bond, the proceeds have been used for refinancing capital expenditures in two categories: Building a second extrusion tower and adding machinery at the high-voltage cable factory in Karlskrona. The investments are expected to be fully completed by end-2023 and will increase the production capacity of high-voltage power cables to meet the increasing market demand as the green transition accelerates.

This report shares details on the investment categories, the impact in terms of connected capacity per project and lastly, give an overall status on the allocation of funds raised under the Green Hybrid Bond.



Delivering the cable systems enabling the transmission of renewable energy



Our high-voltage power cable systems are essential for the infrastructure needed for the green transition.

The global transition to low carbon energy is expected to continue to accelerate globally. This transformation will also apply to the energy infrastructure and to ensure transmission security, the global power grids need to be extended, reinforced and interconnected. Here, power cable systems are a prerequisite.

NKT continues to be a preferred cable supplier for offshore wind and interconnector projects, which are playing a vital role in the transition to renewable energy. In recent years, we have been awarded offshore wind projects with the potential to generate more than 20 GW of wind power and several interconnector projects strengthening the energy security by enabling the exchange and utilization of renewable energy.

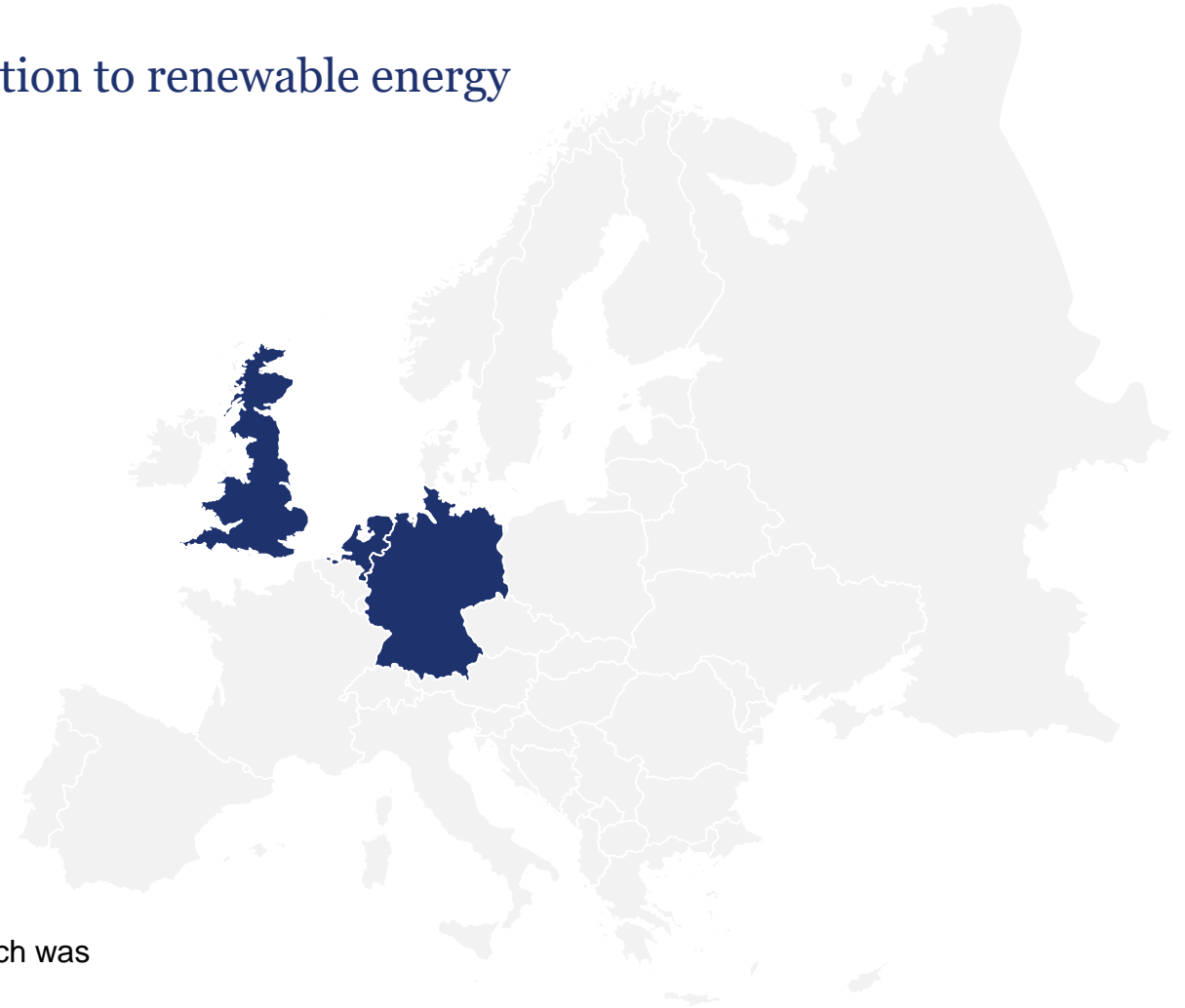
On the following pages we present selected projects within Offshore Wind and Interconnectors.

Selected project awards 2020-2023

Offshore wind

Selected examples of how NKT enables the transition to renewable energy

	Expected Commissioning	MW
 BorWin5	2025	~900
 Dogger bank C	2026	~1,200
 IJmuiden Ver	2028-2030	~6,000
 Hornsea 3	2027	~2,900
 East Anglia three	2026	~1,400




These projects have or will be manufactured at the Karlskrona factory, which was expanded through the proceeds from the issued green bond.

Power cable systems connecting a greener world




Offshore wind projects enabling the transition to renewable energy

Hornsea 3 Offshore Wind Farm 


Project: The offshore wind farm will be located in the North Sea off the Yorkshire coast and is the third phase of the Hornsea Offshore Wind Zone. When Hornsea 3 comes online the combined capacity of Hornsea 1, 2 and 3 will be in excess of 5 GW, making it one of the world's largest offshore wind zones. NKT is providing the export power cables for all three phases. Hornsea 3 will be capable of producing enough low-cost, clean, renewable electricity to power millions of UK homes, making a significant contribution to the UK Government's ambition of having 50 GW offshore wind in operation by 2030.

Customer: Ørsted

East Anglia Three 


Project: The East Anglia THREE offshore wind farm will consist of 95 wind turbines located 69 km off the UK coast. Once in operation, the wind farm will be able to generate up to 1.4 GW renewable power. NKT is providing the turnkey project of designing, manufacturing and installing the 320 kV HVDC export cable system enabling the wind farm to deliver renewable energy to the onshore power grid.

Customer: ScottishPower Renewables

Dogger Bank C 


Project: Dogger Bank C is the third and final planned phase of the Dogger Bank Offshore Wind Farm located in the UK part of the North Sea. NKT will be delivering the on- and offshore export power cable systems for all three phases. When they are fully commissioned, Dogger Bank will have an installed capacity of 3.6 GW and will be the first HVDC-connected offshore wind farm in the UK.

Customers: Equinor, SSE Renewables and Vårgrønn

BorWin 5 

Project: NKT is delivering approx. 230 km of 320 kV high-voltage DC on-and offshore power cables and accessories to the BorWin5 offshore wind farm located in Northern Germany. With a capacity of 900 MW BorWin5 will play a central role in the German ambition of having 30 GW offshore wind installed by 2030.

Customer: TenneT (Germany)

Ijmuiden Ver and Nederwiek Offshore Wind Zones 






Project: NKT has been awarded the turnkey project for approx. 1,700 km of 525 kV XLPE HVDC cables covering both on- and offshore power cable systems for the connection of the project lots Beta, Gamma and Nederwiek 2 in the Ijmuiden Ver and Nederwiek Offshore Wind Zones in the Dutch part of the North Sea.

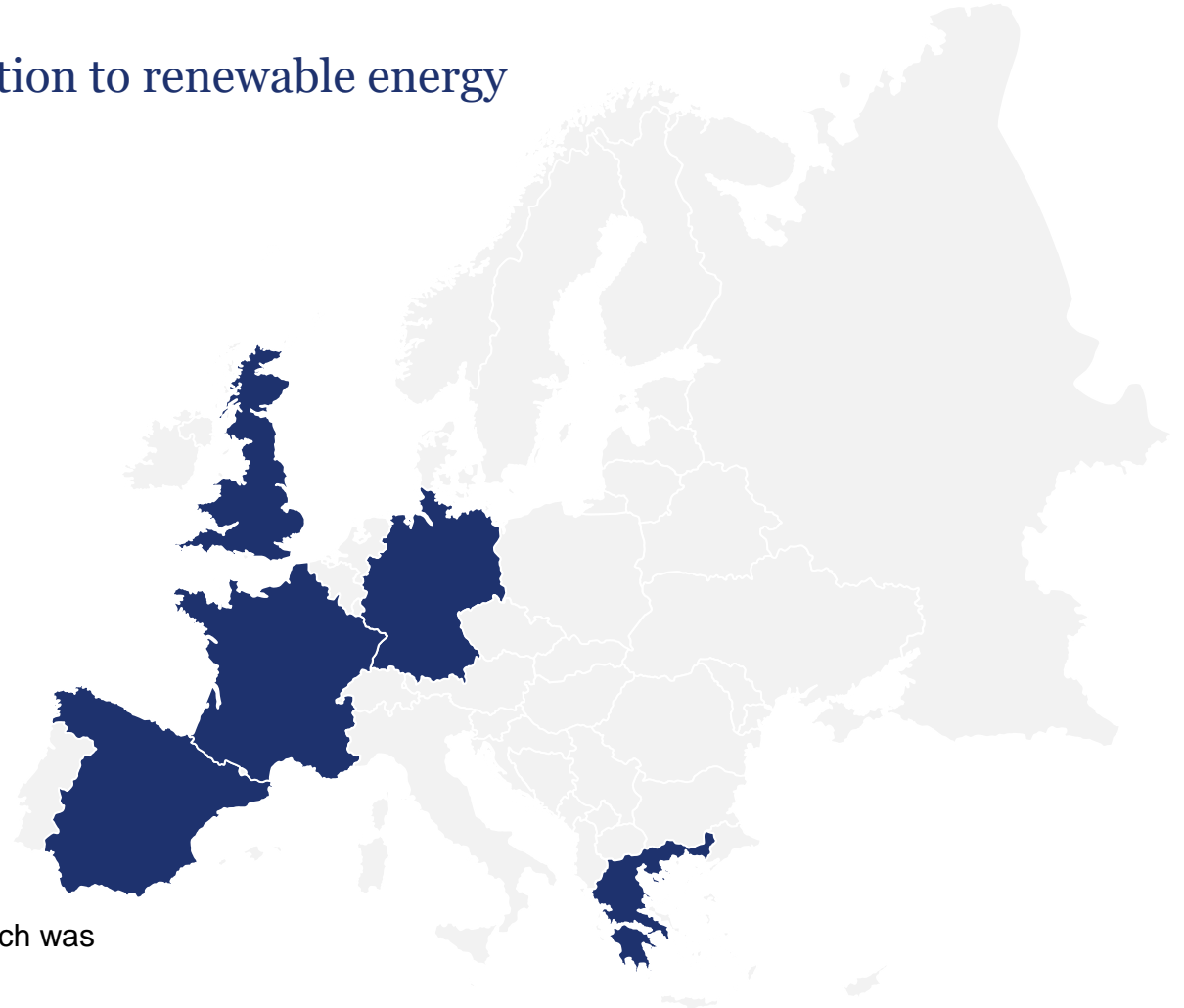
Customer: TenneT (Netherlands)

Selected project awards 2020-2023

Interconnectors

Selected examples of how NKT enables the transition to renewable energy

	Commissioning	MW
 Shetland	2024	~600
 Attica-Crete	2023	~1,000
 SuedLink*	2026	~2,000
 Biscay Gulf	2028	~1,000
		




These projects have or will be manufactured at the Karlskrona factory, which was expanded through the proceeds from the issued green bond.

**Partly manufactured in Cologne, Germany*

Power cable systems connecting a greener world




Interconnector projects enabling safe and reliable power transmission

Shetland HVDC Link 



Project: The Shetland HVDC Link will be the first transmission connection between the Scottish mainland and the island of Shetland. The link will support Shetland's future security of supply and will facilitate the connection of renewable energy generation to the mainland power supply supporting the transition to net-zero emissions. NKT is turnkey supplier of the 320 kV HVDC power cable system enabling renewable energy to be transmitted from Shetland.

Customer: SSEN Transmission

SuedLink 


Project: The SuedLink corridor comprises two power cable systems, and NKT has been awarded the 2 GW cable system which will be the world's largest and longest high-voltage DC underground interconnector. The SuedLink line starts in Northern Germany where it connects offshore wind farms to shore and to the NordLink Interconnector, which brings hydro power from Norway to Germany via a cable system also provided by NKT. SuedLink is one of the three German HVDC corridor projects.

Customer: TenneT and TransnetBW

Biscay Gulf Interconnector 


Project: NKT is delivering one of the 400 kV high-voltage power cable systems for the Biscay Gulf Interconnector strengthening the transmission security and electricity supply between France and Spain. The interconnector will increase the total potential energy exchange between the two countries and strengthen the integration of renewable energy by connecting the Iberian Peninsula with continental Europe.

Customer: INELFE and Red Eléctrica Réseau Transport d'Électricité

Attica-Crete Interconnector 

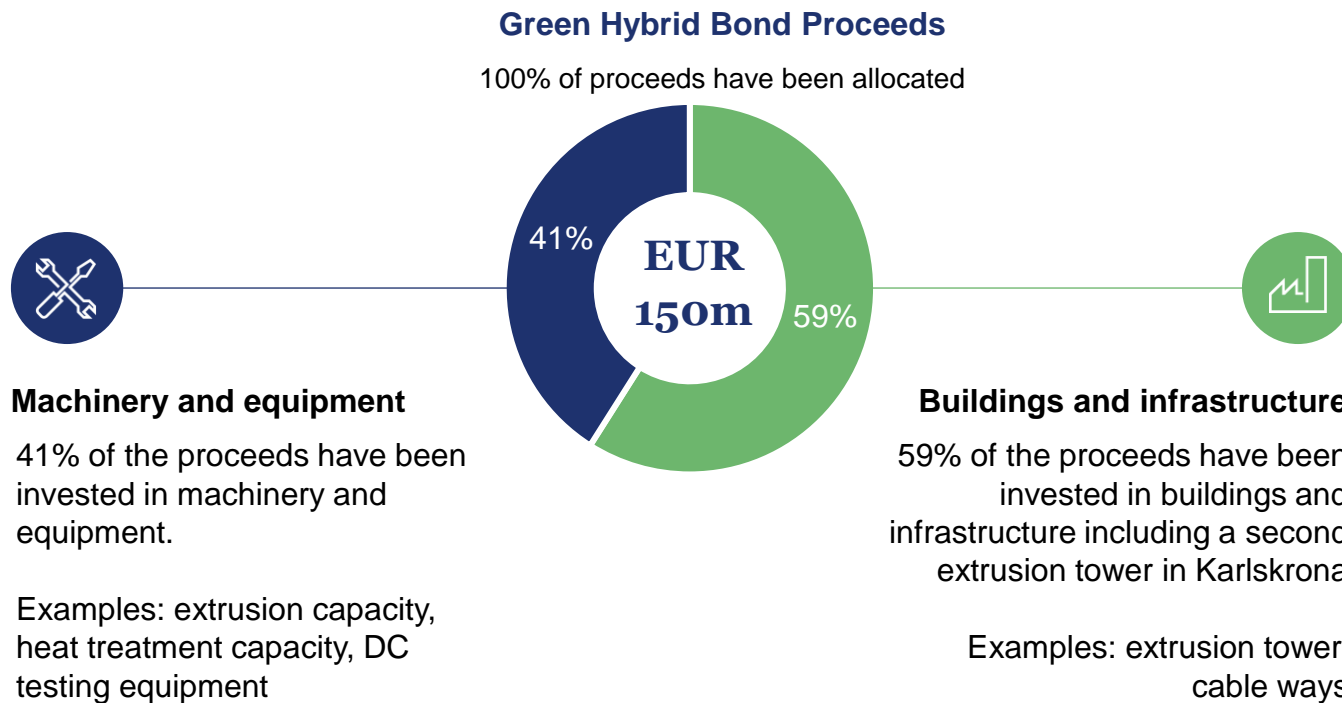
Project: The Greek interconnector will ensure green energy supply from the mainland to the isle of Crete, where current fossil fuel power production facilities will be closed in 2023. The 1 GW interconnector will reduce carbon emissions by an estimated 500,000 tons in its first full year of operation due to the replacement of production by the oil-fired power units operating in the island. The solution from NKT will constitute the full onshore power cable system including installation on both the mainland and on Crete.

Customer: IPTO

Allocation of Funds

Proceeds have been allocated for capacity expansion at the high-voltage factory in Karlskrona

Investment description



Fact Box – Investment Announcement

- On 29 June 2020, NKT announced its intention to invest approx. EUR 150m during 2020-2022 to strengthen its high-voltage manufacturing facilities. The background of the announcement was the positive market outlook for high-voltage cable systems as a key enabler of the green transformation.
- On 17 August 2022, NKT announced its intention to further increase its high-voltage production capacity by adding additional production equipment. This additional investment was expected to be approx. EUR 90m.

NKT built a new extrusion tower to increase production and supporting the green transition

2020 - 2023



Second extrusion tower – NKT Lighthouse



NKT Lighthouse – a beacon for the green transition

In 2022, the NKT Lighthouse - the second extrusion tower was inaugurated at the high-voltage power cable factory in Karlskrona, Sweden. With a height of 150 meters, it stands as a landmark for the city of Karlskrona and the global transition to renewable energy. The tower plays a key part in the process of adding insulation to the high-voltage power cables produced at the factory.

Facts about NKT Lighthouse:

- Inaugurated October 2022
- Construction period 2020-2022
- 150 meters high with 17 floors

The capacity expansion enables NKT to execute on existing projects in our order backlog, hence contributing to the green transition in Europe.

NKT continues to grow

In May 2023, NKT announced to further expand the production and installation capacity at the factory in Karlskrona, including a third extrusion tower.

Investments under the Green Finance Framework is in alignment with the EU Taxonomy



NKT A/S – EU Taxonomy 2022

Turnover			Substantial contribution criteria						DNSH criteria (Do No Significantly Harm)										
	Codes	Absolute turnover	Proportion turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year n	Category (enabling activity)	Category (transactional activity)
Economic activities		mEuro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	Y/N	E	T
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (taxonomy aligned)																			
3.1 Manufacture of renewable energy technologies		359.9	16.6	16.6	0.0	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	16.6	E	
4.9 Transmission and distribution of electricity		249.4	11.5	11.5	0.0	N/A	N/A	N/A	N/A	N/A	Y	N/A	Y	N/A	Y	Y	11.5	E	
7.6 Installation, maintenance and repair of renewable energy technologies		0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	Y	N/A	N/A	N/A	N/A	Y	0.0	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		609.4	28.1	28.1													28.1		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy aligned)																			
3.1 Manufacture of renewable energy technologies		1.0	0.0	0.0	0.0												0.0	E	
4.9 Transmission and distribution of electricity		203.9	9.4	9.4	0.0												9.4	E	
7.6 Installation, maintenance and repair of renewable energy technologies		0.0	0.0	0.0	0.0												0.0	E	
Taxonomy-eligible but not environmentally sustainable activities (not taxonomy aligned) (A.2)		205.0	9.5	9.5													9.5		
B. Taxonomy- non-eligible activities																			
Turnover of Taxonomy non-eligible activities (B)		1,351.1	62.4																
Total (A+B)		2,165.5	100.0																

NKT has assessed and deemed financial activities of 2022 both EU Taxonomy eligible and taxonomy aligned. The investments made with the proceeds from the Green Financing Framework is covered by the EU Taxonomy under the following activities:

3.1 Manufacture of renewable energy technologies

4.9 Transmission and distribution of electricity

The EU Taxonomy is a classification framework to determine whether an economic activity is environmentally sustainable that requires the reporting on eligibility and alignment against six environmental objectives.

Independent assurance statement



SGS Poland's assurance opinion on NKT A/S Green Hybrid Bond Eligibility for Post-Issuance

Nature of the assurance/verification

SGS Polska Sp. z o.o. (hereinafter referred to as SGS) was commissioned by NKT A/S (hereinafter referred to as NKT) to commence a "limited assurance engagement" as defined by the International Standard for Assurance Engagements, hereinafter referred to the "engagement", to report on the post-issuance processes and allocation of net proceeds for the Green Hybrid Bond ("Bond"), with a settlement date of September 1, 2022, contained in NKT's 2022 Green Finance Report (dated 25 August 2023) (the "Report").

Intended users of this assurance statement

This Assurance report is provided with the intention of informing all NKT's Stakeholders.

Responsibilities

The information in the Report and its presentation are the responsibility of the directors, governing body, and the management of NKT. SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs, and statements within the scope of verification with the intention of informing all NKT's stakeholders.

Assurance standards, type, and level of assurance

SGS performs the engagement based upon internationally recognized reporting and assurance guidance and standards. The assurance of this report has been conducted according to the following

Assurance Standards:

Assurance Standard:

International Standard on Assurance Engagements - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000)

Level of Assurance:

Limited

Scope of Assurance and Criteria

The scope of the assurance included evaluation of quality, accuracy, and reliability of disclosed and specified performance information and evaluation of report adherence to the following reporting criteria:

- International Capital Markets Association (ICMA) Green Bond Principles (GBP 2021).

The alignment of the post-issuance process for NKT's Green Bond with the four core components of the GBP 2021.

- Principle 1: Use of Proceeds
- Principle 2: Process for Project Evaluation and Selection
- Principle 3: Management of Proceeds
- Principle 4: Reporting
- Other criteria as described in the NKT's 2022 Green Finance Framework

Assurance Methodology

The assurance comprised a combination of pre-assurance research, interviews with relevant

employees, documentation and record review as well as data validation.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Limitations and mitigation

Financial data drawn directly from independently audited financial accounts and sustainability performance data drawn directly from independently audited sustainability reports have not been checked back to the source as part of this assurance process.

Statement of independence and competence

SGS affirms our independence from NKT, being free from bias and conflicts of interest with the organization, its subsidiaries, and stakeholders.

The assurance team was assembled based on their knowledge, experience, and qualifications for this assignment, and comprised auditors and sustainability professionals specializing in the Environmental, Social, and Governance (ESG), environmental and carbon fields.

Findings and conclusions

Assurance/ Verification opinion

On the basis of the methodology described and the verification work performed, nothing has come to our attention that causes us to believe that the specified

performance information included in the scope of assurance is not fairly stated and has not been prepared, in all material respects, in accordance with the reporting criteria.

We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting.

Signed: For and on behalf of SGS Polska Sp. z o.o.

Zbigniew Suchodolski

- Knowledge Manager

21 September 2023

NKT