

Gasum

GREEN FUNDING FRAMEWORK

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1. INTRODUCTION

Gasum in brief

The energy company Gasum was founded in 1994. Gasum is a Nordic gas sector and energy market expert. Together with its partners, Gasum is building a bridge towards a carbon-neutral society on land and at sea.

Gasum strengthens the role of gas and develops gas infrastructure in the Nordics. The company offers energy for road and maritime transport segments, as well as industry and energy production. Gasum promotes circular economy by processing waste and producing biogas and recycled nutrients in Finland and Sweden. Gasum is also the leading liquefied natural gas (LNG) actor in the Nordic market and imports natural gas to Finland.

The Gasum Group has around 350 employees in Finland, Norway and Sweden. The company's revenue in 2018 totalled €1,177 million. Gasum is a fully Finnish state-owned company.

Cleaner energy

At Gasum, our mission is "**Cleaner energy**". Climate change is a global challenge, and limiting the global warming requires far-reaching transitions in energy systems, among other mitigation actions. As a low-emission fuel, the role of gas will increase in the future, above all in maritime transport and heavy-duty road transport as the most potential alternative fuel for fossil diesel when actions to curb local air pollution and climate change call for a rapid transition to cleaner solutions.

Gasum's **low-carbon and renewable energy solutions** help our customers in different segments to cut their CO₂ emissions as well as contribute **to improved local air quality** due to elimination of particle and sulphur dioxide emissions. We aim at enabling 1,300,000 t CO₂ emission reductions for our customers with our low-carbon products by 2025 compared to 2014 level by reaching our set volume targets. In road transportation Gasum's biogas **reduces the greenhouse gas emissions** generated over the fuel life cycle by up to 85-90% compared with traditional fossil fuels.

Gasum is one of the leading **processors of biodegradable waste** and **suppliers of renewable biogas** in the Nordic countries, which makes the company a unique player in



combating the climate change. Our network of biogas plants is a model example of **circular economy** implementation. Gasum handles almost 900 000 tonnes of biodegradable waste and agricultural sidestreams annually, and uses the local feedstock to produce renewable biogas. Currently Gasum supplies biogas with an annual production volume of circa 620 GWh. Biogas is suitable for various purposes, including road transport segment and industrial uses.

The circular-economy impact of biogas production is further enhanced by the organic nutrients recovered in the production process. The residual solids and liquids created in biogas production have uses such as **high-quality recycled fertilizer products** in industry, agriculture, landscaping and can also be turned into gardening soil through a process of maturation involving composting. Gasum is producing organic fertilizers totalling 930 000 tons per year.

Developing the biogas market and increasing the biogas production capacity and transport use of gas are key elements of the Gasum strategy. There are several ongoing new investment projects for increasing the production capacity and the target is to increase biogas production capacity significantly over the coming years. Increased role of biogas as an energy solution is supported by the EU's revised Waste Directive and revised Renewable Energy Directive, as well as current proposals included in the EU Commission's Circular Economy Package.

Gasum is the leading **liquefied natural gas (LNG)** player in the Nordics and supplies the fuel to maritime transport, industry and heavy-duty vehicles in Finland, Sweden and Norway. In 2018, Gasum delivered 442,000 tons (6,3TWh) of LNG. With its LNG production facility, LNG terminals around the Baltic Sea and safe and efficient bunkering operations, Gasum is ideally positioned for the growing demand of LNG in the marine segment and continues to strengthen the position and infrastructure of LNG.

At the same time, Gasum is increasing the availability of **renewable liquefied biogas (LBG)**. Strong position and infrastructure of LNG is a crucial driver in advancing the use of LBG, which can utilise the same technology and infrastructure as LNG, enabling an easy transfer to renewable energy sources.



Gasum's sustainability approach

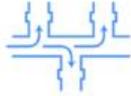
At Gasum, we regard sustainability as a comprehensive approach that is closely connected to our strategy. We take our **social, environmental and economic responsibilities** into account in our daily operations and decision-making. We promote sustainable development based on provision of cleaner energy solutions in the Nordic countries and the principles of circular economy.

Gasum's commitment to long-term profitability and sustainability is set out in our **corporate responsibility program**, which steers the responsibility work in all operating countries. The program addresses six themes identified as material to Gasum and to our stakeholders: safety and security, climate change mitigation, circular economy, access to gas, responsible business, and people.

In line with themes, we have set objectives for our sustainability work. Progress is regularly monitored at group level and reported via the annual Corporate Responsibility Report and quarterly Interim Reports.



Gasum's corporate responsibility program



Safety and security

Our target is zero injuries, environmental breaches and harm to assets, and zero unplanned disruptions in gas supply.



Access to gas

We develop a smart, efficient and sustainable gas ecosystem and fulfill customer needs on land and at sea.



Climate change

We enable climate change mitigation through renewable energy, low-carbon products and energy efficiency.



Circular economy

We utilize wide feedstock base in renewable fuel production and develop market for recycled nutrient products.



Responsible business

We maintain good business ethics and profitability, and ensure responsible business partnerships.



People

We develop employee wellbeing, competence and leadership.

Gasum promotes sustainable development and supports the UN Sustainable Development Goals (SDGs). We have defined those goals towards which we contribute the most in our operations. A key tool for Gasum in the implementation of the UN Agenda 2030 for Sustainable Development is being part of the Society's Commitment to Sustainable Development.

Gasum has made commitments to variety of programs and projects promoting sustainability, and participates in the activities of various international organizations and industry associations. Through this cooperation, the company is involved in developing the energy and gas sector industry practices as well as influencing development in fields including marine fuels, bioenergy, climate change mitigation, circular economy, waste management and energy research. Read more from our Corporate Responsibility report at www.gasum.com.



Governance and guiding principles

The Gasum Group operates in accordance with the **principles of openness, transparency and equality** and in **full compliance with the legislative and regulatory provisions** of the operating countries as well as the commitments both within Gasum and in relation to customers, public authorities and other stakeholders.

Sustainability is a key element of Gasum's **corporate governance**, promoted by the CEO, and the Gasum Management Team. The CEO carries the responsibility with the whole management team for the successful implementation of our responsibility strategy. Company's Code of Conduct, Corporate governance rules, certified integrated management system and other policies, guidelines, and statements on specific responsibility topics all further elaborate our approach, while also guiding our employees in their everyday work.

Sustainability Linked Instruments

In addition to Green Funding Instruments, Gasum may issue debt linked more broadly to sustainability. The aim of these facilities is to support Gasum's overall strategy and transition towards a low-carbon economy. At Gasum, we regard sustainability as a comprehensive approach that is closely connected to our strategy, thus we aim at connecting sustainability as an integral part of our funding as well.

Gasum aims to align any Sustainability Linked Instrument with the latest version of the Sustainability Linked Loan Principles ("SLLP"), published by the LMA, APLMA and LSTA. This Framework provides the background for positioning the rationale for Sustainability Linked Instruments within Gasum's overarching sustainability strategy. For each Sustainability Linked Instrument, Gasum will set out specific Sustainability Performance Targets ("SPTs") that are aligned with its overall objectives and strategy and support the transition towards low-carbon economy.

For the avoidance of doubt, Sustainability Linked Instruments and Green Funding Instruments are not mutually exclusive transaction types, and there may be times when an instrument can be both Sustainability Linked and Green Funding Instrument. However, Green Funding Instruments are always defined by the Green Asset Categories & Eligibility Criteria described below. Gasum aims at providing information regarding the type of the instrument in connection to any Sustainability Linked Instrument or Green Funding Instrument issued.



Gasum’s Green Funding Framework

This Green Funding Framework sets the basis for the identification, selection, verification and reporting of the investments and operations that are eligible for being financed by amount equal to the net proceeds of Gasum’s green financing instruments and the management of such proceeds.

This Green Funding Framework is based on the latest edition of Green Bond Principles (“GBP”) published by the International Capital Markets Association (“ICMA”) and the latest edition of Green Loan Principles (“GLP”) published by the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (“APLMA”) and the Loan Syndications and Trading Association (“LSTA”). The Green Funding Framework may be further updated and expanded as the principles and market practices evolve. Gasum is committed to support the growth and integrity of the market and welcomes an open dialogue on the topic.

2. USE OF PROCEEDS FOR GREEN INSTRUMENTS

The amount equal to the net proceeds of the Green Funding will be used to finance or re-finance eligible investments and operations that have been evaluated and selected by Gasum in accordance to this Green Funding Framework.

GREEN ASSET CATEGORIES & ELIGIBILITY CRITERIA

The Asset Categories in the table below have been identified by Gasum as aiming to increase positive or reduce negative impact on the environment, and being increasingly in the focus for Gasum in the future. Assets categories that have been verified by an external verifier to be consistent with the GBP, GLP and the verifier’s own criteria, as evidenced by a **"Second Party Opinion"** published on Gasum’s website, will be included as Green Assets.

GBP ¹ category	Project types	UN SDGs
<p>Renewable Energy and Circular Economy Adapted Products</p>	<p>“Renewable Energy and Circular Economy Adapted Products” means</p> <p>1) Biogas or liquefied biogas (LBG) for the use of transport on land and at sea, industry and energy production. Renewable energy products</p>	

¹ Green Bond Principles



	<p>replace fossil or carbon intensive energy sources and enable reduction of greenhouse gas emissions and local air pollution.</p> <p>2) Recycled fertilizer and nutrient products supplied to partners in agriculture or industry. Use of recycled fertilizer and nutrient products reduce industrial production of artificial nutrient products and reduce dependence on mining nutrients from the ground.</p> <p>Use of Proceeds</p> <ul style="list-style-type: none"> - R&D of renewable and low-carbon feedstocks, products, processes, and technologies - Investments in and maintenance of facilities and equipment used for production or storage of products - Investments in and maintenance of infrastructure used for transporting and delivering products (as described above in points 1 and 2), e.g. terminals, expansion of fuelling station network and developing marine bunkering infrastructure - Other investments that improve availability and access to renewable and eco-efficient products 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>13 CLIMATE ACTION</p> 
<p>Waste management and pollution prevention and control</p>	<p>“Pollution Prevention and Control” means</p> <ol style="list-style-type: none"> 1) Treatment of a wide feedstock base of biodegradable fractions of waste and agricultural side-streams of the society. 2) Development of the use of side-streams of biogas production and improving resource efficiency of the process, and increasing the use of renewable energy in Gasum’s operations <p>Use of Proceeds</p> <ul style="list-style-type: none"> - R&D of waste management and pollution prevention solutions - Equipment and management systems for reduction of waste, wastewater, residuals and air emissions - Equipment and management systems for improved capacity / efficiency to process feedstocks - Developing renewable energy production for use in Gasum operations 	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 
<p>Energy efficiency</p>	<p>“Energy efficiency” means:</p> <ol style="list-style-type: none"> 1) Overall energy efficiency improvements in own or customer operations 2) Improvements related to management systems <p>Use of Proceeds</p> <ul style="list-style-type: none"> - Operational energy saving projects only related to other Green Asset Categories - Improving efficiency or coverage of management systems in production units related to other Green Asset Categories 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 



SELECTION AND EVALUATION OF GREEN FUNDING ASSETS

Gasum will complete the following process when selecting and evaluating financing within the Asset Categories that qualify as eligible assets. Overall selection and evaluation process is governed by our Gasum Investment and Responsibility Council, and the process steps are detailed below:

1. Gasum business units (Portfolio Management and Trading, Biogas and Traffic) will propose potential green assets
2. Gasum Investment and Responsibility Council evaluates eligibility of proposals according to eligibility criteria in above table and removes projects that do not meet the criteria
3. Gasum Investment and Responsibility Council verifies the eligibility of remaining assets and presents the potential green assets to Gasum Board of Directors for final approval
4. Gasum Board of Directors has the final veto right

Products are approved by management following the mandate by the CEO and Board of Directors.

All projects are reviewed by the Gasum Investment and Responsibility Council comprising group and division representatives, CEO, Sustainability manager and headed by the CFO.

Risks are mitigated through detailed pre-feasibility and feasibility studies which are prepared for each investment. Group investment guidelines stipulate the process, governance, risk management, and monitoring procedures for strategic projects. Post completion audits are carried out for all significant investments.

To ensure a credible process for selecting projects we have defined a set of Green Funding specific steps, which have been integrated into the existing governance model of Gasum.

The overall governance model for Gasum's Green Funding Framework, including the definition of Eligible Activities, have further been developed by a dedicated Green Funding team consisting of members from the sustainability and communications, finance and treasury departments. While all Green Funding is administered by the Treasury team, our governance model includes experts from across the company to ensure alignment to the framework.



MANAGEMENT OF PROCEEDS

Gasum will establish a Green Funding Register in relation to Green Funding for the purpose of monitoring the Green Assets and the allocation of the amount equal to the net proceeds from Green Funding to Green Assets.

The amount equal to the net proceeds of the Green Funding by Gasum will be earmarked for allocation in the Green Funding Register in accordance with this Green Funding Framework.

Gasum will maintain an aggregate amount of assets in the Green Funding Register that is at least equal to the aggregate net proceeds of all outstanding Gasum Green Funding. There may be periods when a sufficient aggregate amount of Green Assets has not yet been allocated to the Green Funding Register to fully cover the proceeds of each Green Funding instrument, either as the result of changes in the composition of Green Assets or the issue of additional Green Funding instruments.

Any portion of the net proceeds of Green Funding that have not been allocated to Green Assets in the Green Funding Register will be held in accordance with Gasum's normal liquidity management policy for general corporate purposes. The Green Funding Register will form the basis for the impact reporting.

3. REPORTING

Gasum will annually publish an Impact Report that aims to provide:

- *The amount of net proceeds that have been allocated within each eligibility criteria*
- *The remaining balance of net proceeds which have not yet been allocated to Green Assets (if any)*
- *Environmental impacts (energy savings and CO₂ savings/avoidance) financed through Green Funding instruments*

The impact report will also include methodology used in impact calculations. Gasum aims to have the impact report externally assured.

4. EXTERNAL REVIEW / SECOND OPINION

Gasum has engaged Cicero to act as an external verifier of this Green Funding Framework. Its Second Party Opinion is publicly available on Gasum's website.



5. APPENDIX

Gasum has signed and, as applicable, publicly stated its adherence and commitment to the;

- Baltic Sea Action Group
- Society's Commitment to Sustainable Development
- Climate Partners (Ilmastokumppanit)
- Zero Accident Forum
- Energy Efficiency Agreement for Industries

In addition, Gasum follows the following guidelines:

- Code of Conduct
- Sustainability Policy