

# **GREEN BOND FRAMEWORK**

**MAY 2021**



**BW OFFSHORE**

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# BACKGROUND

## ABOUT US

BW Offshore ('The Company') brings together extensive floating production experience with a global FPSO ('Floating production storage and offloading') fleet, and is represented in all the major oil and gas regions worldwide, across Asia Pacific, the Americas, Europe and West Africa. The origin of BW Offshore dates back to 1982.

The Company's main activities are engineering, procurement, construction and installation, as well as lease and operation of FPSOs. The Company currently operates FPSOs in eight countries, supported by local onshore teams and a corporate organisation with a global presence.

BW Offshore engineers innovative floating production solutions to progress the future of energy. The company's goal is to build on four decades of offshore operation and project execution to create tailored offshore energy solutions for evolving global markets.

BW Offshore has around 2,000 employees and is publicly listed on the Oslo Stock Exchange. The Company is part of the larger BW Group, a major player in the maritime industry, which has invested in and developed several energy transition related ventures over the last few years. These include BW Solar (solar power generation and energy storage), Cadeler (fixed offshore wind construction and maintenance), Corvus Energy (maritime energy storage solutions) and Copenhagen Commercial Platform (green tonnage chartering platform). BW Offshore's recent investment in floating wind is another step in this strategic shift.

## CAPTURE ENERGY TRANSITION OPPORTUNITIES

Energy is a driving force for people and businesses around the world. Demand for more energy and demand for cleaner energy is driving the industry today. BW Offshore's strategy reflects this, and the redefined purpose is to engineer offshore production solutions to progress the future of energy. BW Offshore creates new and innovative solutions to the evolving challenges presented in the energy industry, driving forward momentum with an aim to serve society. BW Offshore is a partner for responsible growth, with the courage to explore new ways forward, leveraging competence and experience for future ventures.

The Company has an ambition to generate new ideas and positive returns for stakeholders, using proven capabilities in flexible floating production assets, as well as applying its competence and experience to adjacent business segments to capture energy transition opportunities.

BW Offshore shares the global commitment towards cleaner energy sources and to reducing GHG (greenhouse gas) emissions. BW Offshore is committed to contributing to the energy transition, and is assessing market developments and future opportunities. In 2020, the Company evaluated clean offshore energy opportunities related to new production solutions. This work ties to a strategy where the Company is exploring how to apply its capabilities to drive value creation and position itself for the next decade and beyond.

On 17 February 2021, the Company took the first step in this strategy by announcing its plan to invest in Ideol S.A., a global pure player in floating offshore wind technology by jointly creating BW Ideol, a renewable energy company with market-leading capabilities based on in-house developed and proven technology. BW Ideol was successfully listed at Euronext Growth on 18 March 2021. Upon admission to trading, BW Offshore controls about 50 per cent of BW Ideol.

During February 2021, BW Offshore also signed a Heads of Terms with leading U.S. renewable energy and utility company Invenergy. The partnership is dedicated to tendering for floating wind acreage off the coast of Scotland in the upcoming ScotWind leasing round. The cooperation combines Invenergy's land-based renewables track-record with BW Offshore's deepwater experience.

## ENVIRONMENTALLY CONSCIOUS OPERATIONS

BW Offshore recognises the threat climate change poses and the challenges societies face when balancing development and environmental impacts. BW Offshore shares the global commitment towards cleaner energy sources and the reduction of GHG emissions. As an energy sector service provider, BW Offshore is inherently involved in the transition to renewable energy sources. This transition poses new risks from an operational, regulatory, reputational and market perspective.

It also generates new opportunities for participation by ensuring existing fossil fuel infrastructures are operated with a minimum footprint, engaging with transitional fuels, such as natural gas markets, and evaluating alternative clean energy sources.

BW Offshore is committed to contributing to a sustainable environment. The Company recognises that its operations may have wide-ranging impact on the environment and therefore applies risk management to identify, assess and mitigate actual or potential environmental impacts. The Company operates in a highly regulated industry with a growing body of environmental law, as well as increasing stakeholder interest. The environmental management system identifies and integrates all relevant regulatory compliance requirements and seeks to apply best available environmental technologies and techniques. For environmental factors that are not fully within the control of the organisation, BW Offshore endeavours to collaborate with operators and regulatory authorities to achieve the best practicable environmental performance. BW Offshore monitors emerging environmental issues, technologies and practices to ensure it remains compliant, relevant and positioned to operate sustainably in the present and future.

BW Offshore's environmental impact is determined by assessing operational performance against key indicators. The key environmental aspects of all operating FPSO's are digitally recorded through the daily reporting process and these aspects are continuously monitored. The Asset Management function ensures that facilities are operated in accordance with the asset's environmental management system and environmental performance standards. Performance reports are generated monthly for asset level assessment. The Board of Directors and Senior Management review fleetwide environmental performance quarterly. All employees within the organisation have real-time access to the fleet's environmental performance statistics.

BW Offshore takes part in a value chain providing safe and affordable energy supply, an important factor for economic growth in both developed and undeveloped economies. The Company has an established framework for risk management to ensure safe and effective operations by adhering to a 'zero harm' policy and by minimising

unnecessary use of resources and environmental impact.

BW Offshore aspires to achieve sustainable development by striking a fair balance between value creation, sustainability, financial results and corporate responsibility. At every stage of every process a systematic approach to risk management is taken, to identify, assess and mitigate these risks.

Improved energy efficiency is integrated with BW Offshore's climate action goal. The Company has two main ways of improving fleetwide energy efficiency. Firstly, by maximising use of the cleanest and most readily available fuel sources for power generation to reduce energy consumption and minimising GHG emissions associated with transporting bunker fuels to the facility. Secondly, by reducing total energy demand, fuel consumption and GHG emissions, by maintaining optimal facility and plant operations and ensuring systems and equipment run at their design optimal efficiency range. The Company monitors power and heating consumption at onshore sites and seeks to implement energy-saving measures, including selecting energy-efficient consumables and partnerships where applicable.

BW Offshore is committed to protect local habitats and the native wildlife in the areas where the Company operates. BW Offshore's potential impact on biodiversity is included in clients' environmental impact assessments and monitoring programmes. Generally, these relate to discharges, emissions or effluents which are managed through environmental performance criteria established during the design phase.

BW Offshore cooperates with its clients to comply with their environmental management and monitoring plans. During the development phase, environmental impact assessments and supporting studies are performed by the client to identify and validate the primary, secondary and cumulative impacts (or potential impacts) of the development on the environment. These assessments and studies define the environmental design performance criteria of the asset. BW Offshore has standard engineering practices in place to ensure these performance criteria are incorporated into the engineering design of the facility and are tested and verified prior to commencement of operations at site.

## **METRICS AND TARGETS**

BW Offshore has set short to medium term corporate goals related to ESG. These targets are linked to the United Nations Sustainable Development Goals (SDGs) #7, #12 and #13.

### **BW OFFSHORE IS COMMITTED TO:**

- Invest in renewable energy production solutions (SDG #7)
- Economically reduce GHG emissions from offshore operations (SDG #7 and #13)
- Eliminate single-use plastics within company operations (SDG #12)
- Eliminate the use of harmful Chlorofluorocarbons (CFCs) wherever practicable (SDG #13)





## **BW OFFSHORE GREEN FINANCING**

BW Offshore is committed to contributing to a sustainable environment. The Company takes part in a value chain providing safe and affordable energy supply, an important factor for economic growth in both developed and undeveloped economies.

By setting up this updated green bond framework (“Green Bond Framework” or “Framework”), BW Offshore aims to mobilise debt capital to promote the transition towards a low-carbon and environmentally sustainable society. This Framework, aligned with the Green Bond Principles published in June 2018 by the International Capital Market Association (ICMA), defines the investments eligible for financing by green bond issued by BW Offshore (“Green Bond”).

In addition, the Framework outlines the process used to identify, select and report on eligible projects and the set-up for managing the Green Bond proceeds. The terms and conditions of the underlying documentation for each Green Bond shall provide a reference to this Framework.

BW Offshore has worked with Danske Bank to develop the Framework and DNV has provided a second party opinion, which is publicly available at our website. BW Offshore will assign an external auditor to annually provide a limited assurance of the management of proceeds, including the internal tracking procedure and allocation of funds.

**May 2021**

**Marco Beenen**  
Chief Executive Officer

**Ståle Andreassen**  
Chief Financial Officer

**Una Holmen**  
Sustainability Manager



## USE OF PROCEEDS

### ALLOCATION OF NET PROCEEDS

An amount equal to the net proceeds of the Green Bond will finance or refinance, in whole or in part, investments undertaken by BW Offshore or its subsidiaries that promote the transition towards a low-carbon and environmentally sustainable society ("Green Projects"), in each case as determined by BW Offshore in accordance with the Green Project Criteria defined on the next page. Green projects also include ownership or joint venture in a company deriving at least 90 per cent of its revenue from the Green Project criteria in this framework. Green Projects will form a portfolio of assets eligible for financing and refinancing by Green Bond.

### FINANCING AND REFINANCING

Net proceeds can finance both existing and new Green Projects financed by BW Offshore or its subsidiaries. New Green Projects are defined as projects acquired or taken into operation less than 12 months prior to the approval by BW Offshore's Green Bond Committee. Refinancing is defined as financing for Green Projects taken into operation more than 12 months prior to the Green Bond Committee's approval. The distribution between new financing and refinancing will be reported on in BW Offshore's annual Green Bond reporting.

### EXCLUSIONS

Green Bond net proceeds will not be allocated to projects for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. Moreover, investments and expenditures for fossil fuel machinery and/or equipment is not eligible for Green Bond financing.

### SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) were adopted by all 193 United Nations member states in 2015 and guide governments, civil society and the private sector in a collaborative effort for change towards a sustainable development. BW Offshore contributes to several of the goals on a corporate level. In this Framework, each Green Project category has been mapped to the SDGs in accordance with [the High-Level Mapping to the Sustainable Development Goals published by ICMA](#).

# GREEN PROJECT CRITERIA

The financing of acquisitions, subsequent capital raises and the refinancing, including costs related, of ownership in companies or joint ventures deriving at least 90 per cent of its revenue from activities related to solar and wind power generation and/or hydrogen or ammonia production using 100 per cent renewable electricity, including dedicated infrastructure such as storage and transmission. As part of development and search for future solutions, Research and Development activities related to the below definitions could be financed.

## WIND POWER

Wind energy generation facilities, including dedicated supporting infrastructure.

## SOLAR POWER

Solar electricity generation facilities, including dedicated supporting infrastructure.

## GREEN HYDROGEN AND AMMONIA PRODUCTION

Facilities producing hydrogen or ammonia using 100 per cent renewable electricity, including dedicated supporting infrastructure.



Affordable and clean energy

7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

## We engineer offshore production solutions to progress the future of energy.

Realising the transformation towards the Paris Agreement and meeting the 1.5°C target requires major investments in renewable energy.

BW Offshore progresses by capturing opportunities which arise in the ongoing global energy transition, adding new business opportunities to thrive next to its established business.

The Company is well positioned to be a force in developing new environmentally friendly energy production systems. Leveraging four decades of experience from developing, financing and operating offshore oil and gas production facilities. With the right partnerships, BW Offshore is progressing into floating renewable power solutions, and has already started this journey by creating BW Ideol, with the aim of taking a leading position in floating wind energy infrastructure developments.

Our ambitions are articulated through our purpose: We engineer offshore production solutions to progress the future of energy.

## CASE STUDY: BW OFFSHORE INVESTS IN IDEOL

BW Offshore have signed a share purchase agreement to become a strategic owner of Ideol S.A., a global pure player in floating offshore wind technology, creating a renewable energy company with market-leading capabilities based on in-house developed and proven technology, supported by BW Offshore's extensive experience from development and operation of offshore energy production systems.

BW Offshore has invested around EUR 60 million in Ideol S.A., creating BW Ideol, a global integrated floating offshore wind company with proven technology and market-leading capabilities. BW Offshore's experience in developing and operating offshore production systems and capital markets access is highly complementary to Ideol's floating offshore wind IP and expertise.

Creating a strong platform for a floating offshore wind business with accelerated growth potential as a technology and EPC provider, and developer and operator of wind power projects.

# GREEN PROJECT EVALUATION & SELECTION PROCESS

## ALLOCATION OF GREEN BOND PROCEEDS

BW Offshore's overall management of environmental, social, corporate governance and financial risks is a core component of its decision-making processes. The process for evaluation and selection of Green Projects will follow the same standard decision-making process.

## GREEN PROJECT EVALUATION AND SELECTION

Green Projects shall comply with the eligibility criteria defined under the Green Project Criteria, and supporting the transition towards a low-carbon and environmentally sustainable society by investing in renewable energy production solutions. The process of evaluating and selecting eligible Green Projects as well as the allocation of Green Bond proceeds to eligible Green Projects comprise the following steps:

- i. Sustainability experts and representatives within BW Offshore will select and evaluate potential Green Projects, their compliance with the Green Project Criteria, and their environmental benefits.
- ii. Ensure that potential Green Projects do not violate the exclusion list defined under 'Exclusions'.
- iii. A list of the potential Green Projects is

presented to BW Offshore's Green Bond Committee ("GBC"). The GBC is solely responsible for the decision to acknowledge the project as green, in line with the Green Project Criteria. A decision to allocate net proceeds will require a consensus decision by the GBC. The decisions made by the GBC will be documented and filed.

## GREEN BOND COMMITTEE (GBC)

The GBC is chaired by the Chief Executive Officer and includes the following members:

- Chief Executive Officer
- Chief Financial Officer
- Sustainability Manager

The GBC will convene every six months or when otherwise considered necessary. For the avoidance of doubt, the GBC holds the right to exclude any Green Project already funded by Green Bond net proceeds. If a Green Project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Projects.

# MANAGEMENT OF PROCEEDS

## TRACKING OF GREEN NET PROCEEDS

An amount equal to the Green Bond net proceeds will be credited to a separate account. The separate account ensure that Green Bond net proceeds only support Green Projects or to repay Green Bonds. As long as the Green Bonds are outstanding and the separate account has a positive balance, funds will be deducted when relevant, or at least annually, from the separate account in an amount equal to all disbursements made during such year in respect of eligible Green Projects. It is BW Offshore's clear ambition to allocate net proceeds in line with arising opportunities, and at least within 24 months of the issuance date.

All transfers from the separate account will be documented to ensure a full audit trail and to simplify the Green Bond reporting.

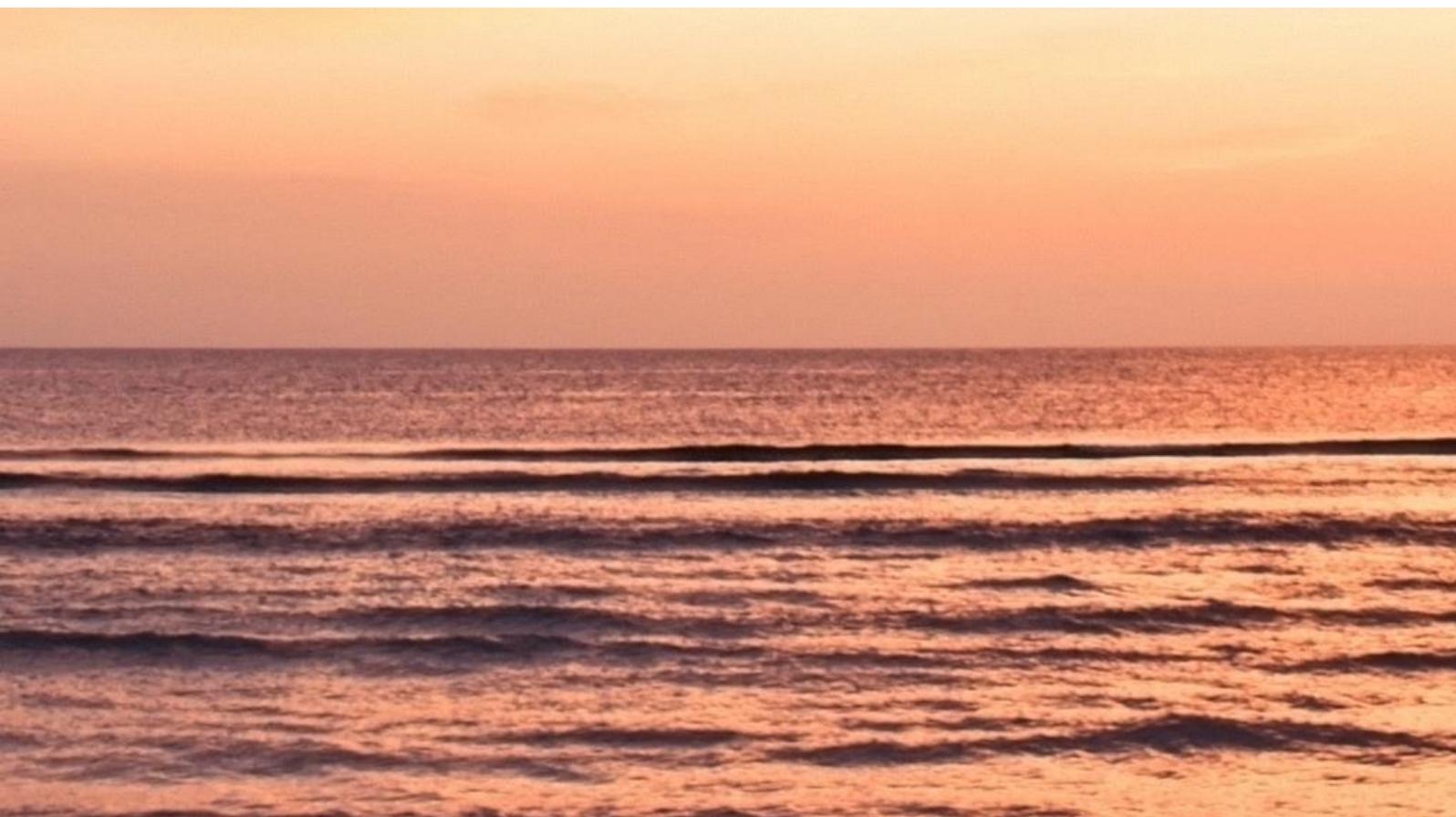
The management of proceeds, including the internal tracking procedure and allocation of funds, will be reviewed by an external auditor appointed by BW Offshore.

## TEMPORARY HOLDINGS

Unallocated Green Bond net proceeds may temporarily be placed in the liquidity reserve and managed accordingly by BW Offshore.

## EXCLUSIONS

Temporary holdings will not be invested in financial instruments issued by companies with a business model focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.



# REPORTING & TRANSPARENCY

BW Offshore will annually and until maturity of the Green Bond issued, provide investors with a report (Green Bond Report) describing the allocation of proceeds and the environmental impact of the Green Projects. The report will be made available on our website together with this Green Bond Framework.

## ALLOCATION REPORTING

Allocation reporting will include the following information:

- i. A summary of Green Bond developments
- ii. The outstanding amount of Green Bonds issued
- iii. The balance of the Green Projects in the separate account (including any temporary investments and Green Bond repayments) and the available headroom in the value of the Green Projects (if any)
- iv. The total proportion of Green Bond net proceeds used to finance new Green Projects (taken into operation less than 12 months prior to the approval by BW Offshore's Green Bond Committee) and the proportion of Green Bond net proceeds used to refinance Green Projects taken into operation earlier than that, and, to the extent relevant, the expected look-back period for refinanced Green Projects
- v. The total aggregated proportion of Green Bond net proceeds used per Green Projects Category

- vi. A list of the projects to which Green Bond proceeds have been allocated
- vii. A brief description of the projects and the amounts allocated

## IMPACT REPORTING

The impact reporting aims to disclose the environmental impact of the Green Projects financed under this Framework, based on BW Offshore's financing share of each project.

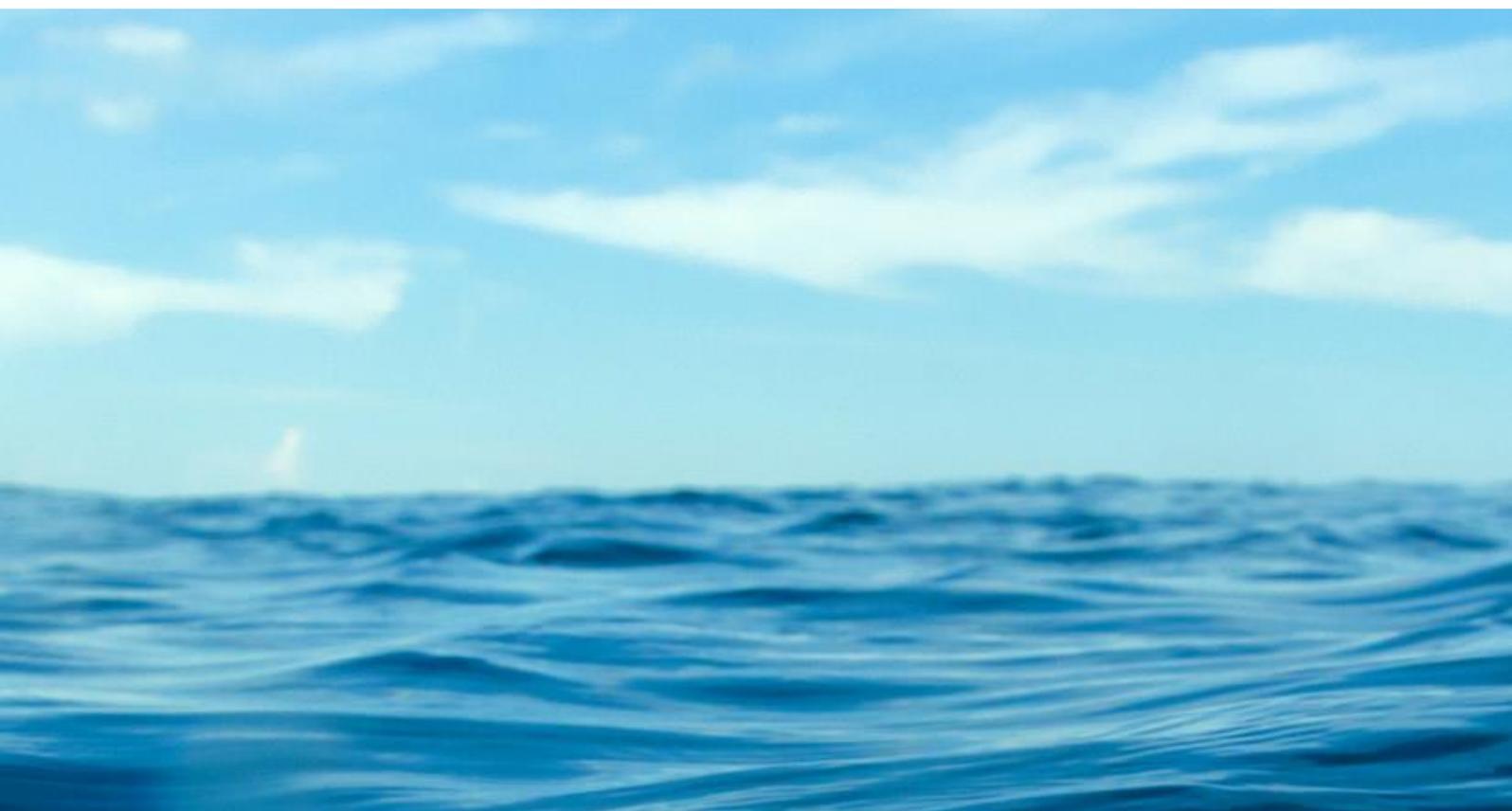
The impact reporting will, if applicable, be based on the Key performance indicators presented below.

Renewable Energy



- Annual renewable energy generation (GWh per year)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub> equivalent emissions (CO<sub>2</sub>e))

*The impact assessment of production and/or distribution will be based on estimated end user energy/CO<sub>2</sub> savings, since the end user is the intended beneficiary.*



# EXTERNAL REVIEW

## ELIGABILITY ASSESSMENT

DNV has provided a second opinion to this Framework verifying its credibility and alignment with the ICMA Green Bond Principles 2018.

## EXTERNAL ASSURANCE

An independent external auditor appointed by BW Offshore will provide, on an annual basis, limited assurance that an amount equal to the Green Bond net proceeds has been allocated to Green Projects, including the internal tracking procedure and allocation of funds.

## PUBLICLY AVAILABLE DOCUMENTS

The Green Bond Framework, the second party opinion, bond documentation, the limited assurance and the annual Green Bond Report will all be publicly available on BW Offshore's website.



[www.bwoffshore.com](http://www.bwoffshore.com)