



Green Bond Impact Report

- Impact statement by year-end 2020

Aarhus Letbane
is Denmark's first
light rail



KOMMUNEKREDIT
STEADY & STABLE

Steady and valuecreating

KommuneKredit plays an important role in helping to grow and develop Danish society. KommuneKredit enables Danish municipalities and regions to achieve their ambitions to create the best conditions and most sustainable solutions by providing financing at the lowest possible cost.

For example when local communities establish new and modern facilities to support community activities or when regions install new kitchens in hospitals. Or when municipalities lease cargo bicycles that allow day care providers to transport the children more easily, build modern, subsidised housing for the elderly to improve their quality of life, or build roadside ducts to protect urban areas against cloudbursts. Another example is financing for Danish waterworks when they roll out new technology to ensure that we can safely continue to drink our tap water.

Regardless of the size of the project or where in Denmark it takes place, we offer financing at the lowest possible cost and on equal terms for everyone. In this way, we not only

create equal opportunities across Denmark – we also create cohesion and a platform allowing municipalities and regions and, ultimately, our citizens to get as much growth and development for their money as possible.

We fund our loans by issuing bonds to investors all around the world. KommuneKredit is an association, and our members – all municipalities and regions in Denmark – are jointly and severally liable for our liabilities. This approach allows us to borrow funds at a very low rate of interest. As our administrative expenses are quite low – and we do not have to make a profit on our lending and leasing operations or pay dividends to our owners – our members are secured the lowest possible interest on their loans.

On the basis of strong financial capabilities and a profound respect for the responsibility that comes with being the credit provider for municipalities and regions, we thus create a secure and stable link between global funding and local lending – both now and in the future.

Mission

KommuneKredit shall contribute to financial latitude in Danish municipalities and regions by providing funding and financial advice at the lowest possible cost.

Vision

We will always be the best funding choice for our customers, regardless of the given framework.

We will be modern, efficient and engaged, with a focus on high quality, steadiness and stability.

Contents

Executive summary	4
Green bond impact and green project portfolio	
Foreword	6
Facts & figures	8
Green bonds, green project portfolio and impact statement	
Green loan portfolio & cases	11
District heating, water management, clean public transportation and energy efficiency	
Approach	15
Green financing governance and reporting methodology	

About this report

This Green Bond Impact Report comprises all eligible projects financed under KommuneKredit's [Green Bond Framework](#) dated March 2017 up until year-end 2020. The report includes allocation as well as impact reporting with examples of eligible projects and summarizes our green bond approach. We apply a portfolio-based approach reporting on impact on an aggregated level as well as a project-by-project approach in the sense that we disclose a [List of Green Loans 2020](#) of all projects financed under our Green Bond Framework as of 31 December 2020.

Get in touch

We welcome any comments, suggestions or questions you may have regarding this report. Please send an email to kk@kommunekredit.dk.

You can keep up to date on the most recent developments at kommunekredit.com and you can follow KommuneKredit on [LinkedIn](#).

More information

- [Annual Report 2020](#)
- [Responsibility Report 2020](#)



Street lights in Svendborg Municipality, see page 14.
Photo: Svendborg Vejbelysning A/S

Green bond impact

KommuneKredit issues green bonds to provide financing for the green transition across Denmark at the lowest possible cost. Since our inaugural green bond in 2017, we have issued green bonds annually and throughout we have experienced high demand from both our national and international investorbase. We have approved green loans across most of Denmark's 98 municipalities.

On this page we present the expected environmental impact associated with KommuneKredit's disbursed green loans by year-end 2020. The disclosed impact is based on expected impact assessments from our customers and should be considered as our customers' best estimate. 76.2 per cent of the total impact is attributable to our green bond investors.



DKK 17 bn

Green bonds in total

504

Approved green loans in total

DKK 22.4 bn

Disbursed green loans in total

94

Approved green loans in 2020

1.74

Mega tonnes annual CO₂ reduction/avoidance

Equivalent to the annual CO₂ emissions of more than

100,000

Danes*

* Based on the Danish climate think tank CONCITO's estimate of CO₂e emissions per capita in Denmark.

Green bond timeline



Green project portfolio

The allocated green bond proceeds finance and re-finance projects within four eligible green loan categories: District heating, water management, clean public transportation and energy efficiency. More than 90 per cent of our disbursed green loans are within the district heating and water management category in terms of both lending volume and number of loans.

A high-level mapping of our green lending purposes conducted in 2020 showed that these link to five of the 17 UN Sustainable Development Goals (SDGs). Based on an initial assessment we also indicate which of the six environmental objectives of the EU taxonomy our green lending primarily supports.

	 District heating	 Water management	 Clean public transportation	 Energy efficiency
Share of total disbursed green loan volume (2017-2020)	60.0%	31.2%	7.4%	1.4%
Share of total number of disbursed green loans (2017-2020)	34.9%	57.9%	2.2%	5.0%
SDG linkage				
Primary EU environmental objective	Climate change mitigation	Sustainable use and protection of water and marine resources	Climate change mitigation	Climate change mitigation

Message to our investors, customers and partners

National, regional and local authorities in Denmark have high climate ambitions – as do we. As a credit provider for Danish municipalities and regions, KommuneKredit supports and contributes to the objectives of the Paris Agreement on Climate Change, Denmark’s national CO₂ reduction target of 70 per cent by 2030 and the numerous local climate action plans across Denmark through green financing.

When KommuneKredit issued its inaugural green bond in 2017, we were the first financial institution in Denmark to do so. Based on the continued demand for both eligible green loans in Denmark and the high demand for green bonds from international investors, we issued our fourth green bond in 2020 and also made our first green private placement. By year-end 2020, our total issuance amounted to DKK 17 billion in outstanding green bonds. Through our green lending efforts, KommuneKredit supports local green investments while also meeting investors’ demand for green products. And through the annual impact report, we aim to provide accessible and manageable information about our green finance to investors, customers and other stakeholders with an interest in this area.

Despite the challenges society faces, brought about by the COVID-19 pandemic, the high interest in society’s

»» *At KommuneKredit, we applaud our members and customers for their high sustainability ambitions and for accelerating progress towards a low-carbon society through local projects with tangible impact. We also thank our green bond investors for the continued support of Denmark’s green transition.”*

Henrik Andersen
Managing Director

green transition and in sustainable finance instruments continues - both at international, EU and national level. This is something we also see reflected in KommuneKredit’s bond issuances and green loan portfolio. In 2020, KommuneKredit’s Green Bond Committee approved 94 loans with a total project cost of more than DKK 3 billion. Since 2017, the committee has approved 504 green loans in total worth DKK 22.4 billion with loan sizes ranging from DKK 120,000 to DKK 2.8 billion. The estimated annual CO₂ reduction/avoidance attributed to KommuneKredit’s green loans for these projects amounts to approximately 1.74 mega tonnes, which underscores the power of green finance.



At KommuneKredit, we applaud our members and customers for their high sustainability ambitions and for accelerating progress towards a low-carbon society through local projects with tangible impact. We also thank our green bond investors for the continued support of Denmark's green transition.

It is our ambition to increase the volume of sustainable financing and over the coming years to expand the types of investments eligible for our green financing conditional upon regulation and the political desire to finance the transition. This forms part of our Strategy 2025, which is set to futureproof KommuneKredit as a well-run, accessible and sustainable financial institution that finances local governments' investment in infrastructure and a sustainable transition at the lowest possible cost. Initial steps include an update of KommuneKredit's Green Bond Framework, which was initiated in 2020 and will be finalised in 2021.

In view of best practise and new green and sustainable finance standards in development, KommuneKredit is looking into new eligible project categories to further support our customers and local society in Denmark's green transition.

Henrik Andersen

Managing Director and Chairman of the Green Bond Committee KommuneKredit

Our green lending activities and the SDGs



We support SDG 6 by providing green loans for water supply plants and distribution as well as wastewater and sewerage plants that contribute to ensure availability and sustainable management of water and sanitation.



We support SDG 7 by providing green loans for low carbon and renewable energy plants and the distribution of district heating across Denmark, that contribute to ensure access to affordable, reliable, sustainable and modern energy.



We support SDG 9 by providing green loans for infrastructure that contribute to develop sustainable and resilient infrastructure and support economic development.



We support SDG 11 by providing green loans for public transportation that contribute to make cities inclusive, safe, resilient and sustainable.



We support SDG 13 by providing green loans for energy-saving and climate proofing that contribute to combat climate change and strengthen the climate change resilience as well as by promoting green finance that increase public awareness on climate change measures.

In 2020, KommuneKredit made a high-level assessment of the SDG targets against all its lending purposes, including its green lending categories. The assessment was informed by the Nordic Public Sector Issuers' [Position Paper on Green Bonds Impact Reporting, 2020](#) and the International Capital Market Association's (ICMA) [Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, 2020](#). See the mapping across all lending activities in our [Responsibility Report 2020](#).

Green bonds

We finance KommuneKredit's green loans by issuing green bonds. This allows green investors around the world to invest in local green projects in Denmark.

In 2020, KommuneKredit issued our fourth green bond of EUR 500 million, which builds on the three previous benchmarks. Since our inaugural green bond in 2017, interest in our green bonds has been strong and in 2020, more than 40 international investors participated in our EUR 500 million issue representing a high quality and diversified investor base. In 2020, KommuneKredit also issued a private placement of AUD 40 million to accommodate special requirements for maturity in green format. We will continue our active role in the green bond market provided that there is a sufficient demand for eligible green loans from our customers.

Outstanding green bonds

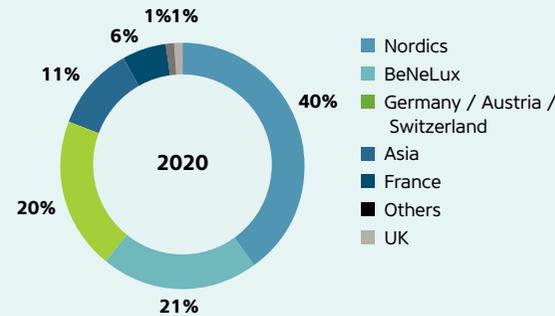
ISIN	Size (million)	Issue date	Maturity date	Coupon (%)
XS1622415674	EUR 500	1 June 2017	18 May 2027	0.75
XS1851226891	EUR 750	5 July 2018	5 July 2028	0.75
XS2081058096	EUR 500	19 Nov 2019	21 Nov 2039	0.625
XS2226280084	EUR 500	3 Sept 2020	26 Sept 2040	0.125
XS2240514336*	AUD 40	2 Oct 2020	1 Oct 2032	1.336

*Private placement

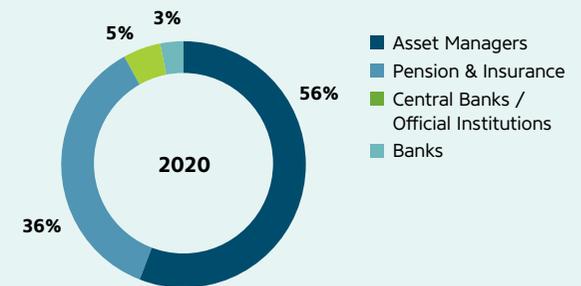
Investor distribution

4th EUR 500 million green bond (2020)

Investor geography



Investor type



Green portfolio

We allow for new financing and refinancing from our outstanding green bonds proceeds and finance green loans within four eligible project categories

By the end of 2020, the total issuance amounted to DKK 17 billion in outstanding green bonds and we grew our disbursed green project portfolio to 504 green loans totalling DKK 22.4 billion. Our share of new financing in 2020 was 100 per cent, which is in line with our ambition to use the majority of the proceeds for new projects. Outstanding loans as of year-end 2020 amounts to DKK 20.2 billion.

We deploy a bottom-up approach to green financing, where we identify and pre-finance eligible projects first and issue green bonds as the second step, following prior approval from the Green Bond Committee. Across our four eligible project categories, more than 90 per cent of our green loans are within the district heating and water management categories in terms of both lending volume and number of loans.

Outstanding green bond portfolio and disbursed green loan portfolio

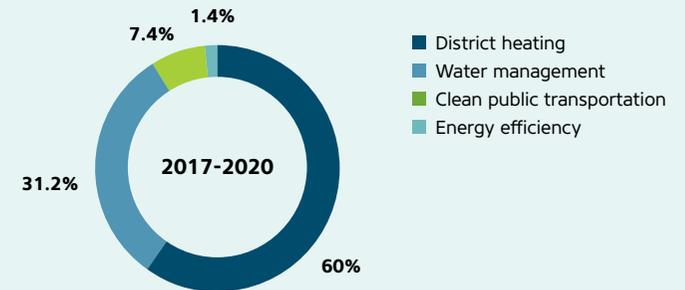


100%
Share of new financing vs. refinancing

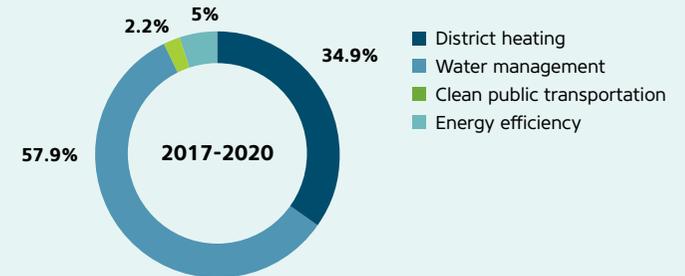
Calculated for the EUR 500 million green bond issued in 2020.

Disbursed green loans by project category

Share of total green loan volume



Share of total number of green loans



Impact statement

We report on expected environmental impacts on a portfolio level based on input from our customers. 76.2 per cent of the impact is attributable to green bond investors.

We disclose the expected environmental impact related to our total disbursed green loans annually with a focus on annual reductions/avoidance of CO₂ emissions and energy savings. The disclosed impact is based on ex ante impact assessments provided by KommuneKredit's customers for those projects where environmental impact data is available. The data has not been verified by KommuneKredit. Thus, the impact statement should be considered as our customers' best estimate.

By year-end 2020, KommuneKredit had disbursed 504 green loans totalling DKK 22.4 billion to our customers against DKK 17 billion green bonds issued to a diversified investor base. Hence, 76.2 per cent of the impact associated with KommuneKredit's green loans is attributable to our green bond investors.

Impact of disbursed green loans (2017-2020)

Project portfolio	KommuneKredit's share of impact		Green bond investor's share of impact	
	Annual CO ₂ reduction/avoidance	Annual energy savings	Annual CO ₂ reduction/avoidance	Annual energy savings
District heating	1,732,168 tonnes	1,546,308 GJ	1,319,912 tonnes	1,178,287 GJ
Water management	83 tonnes	N/A	63 tonnes	N/A
Clean public transportation	2,769 tonnes	9,699 GJ	2,110 tonnes	7,391 GJ
Energy efficiency	3,843 tonnes	13,350,450 GJ	2,928 tonnes	10,173,043 GJ
Total	1,738,863 tonnes	14,906,457 GJ	1,325,013 tonnes	11,358,721 GJ

We encourage our customers to report on a number of environmental factors as disclosed in our [List of Green Loans 2020](#), which cover all projects financed under our Green Bond Framework. This includes e.g. annual displacement of fossil fuels.

Impact attributable to green bond investors

ISIN	Size (million)	Issue date	Maturity date	Attributable impact
XS1622415674	EUR 500	1 June 2017	18 May 2027	16.6%
XS1851226891	EUR 750	5 July 2018	5 July 2028	25.1%
XS2081058096	EUR 500	19 Nov 2019	21 November 2039	16.6%
XS2226280084	EUR 500	3 Sept 2020	26 September 2040	16.6%
XS2240514336	AUD 40	2 Oct 2020	1 October 2032	1.3%

The impact attributable to green bond investors is 76.2%: Total outstanding green bonds divided by total outstanding disbursed green loans. FX rates as of year-end 2020.



District heating

In 2020, around DKK 3.6 billion in green loans were disbursed for the conversion of a CHP station from fossil fuels to biomass in Denmark's capital, Copenhagen. By year-end 2020, 60 per cent of the total disbursed green loan volume was in the district heating category.

The City of Copenhagen aims to become the world's first carbon-neutral capital by 2025. The utility companies HOFOR and CTR contribute to the ambition by converting a combined heat and power (CHP) station from running on coal to running on biomass as a transitional energy solution. HOFOR owns the CHP station Amagerværket, which today has two units – in 2010 one converted to wood pellets and from 2016-2020 the other was replaced by a new unit, AMV4, which runs on certified sustainable wood chips. HOFOR and CTR distrib-

ute energy from the station and CTR is the majority owner of the district heating generated at the AMV4 station.

The new unit has an energy efficiency of more than 110 per cent, which is up to 30 per cent higher than the old coal-fired unit and it covers approximately 25 per cent of the heat demand in Copenhagen. It is also a step towards cheaper district heating for the citizens.

The district heating green loan category covers new investments in and ongoing maintenance of distribution infrastructure and new investments and maintenance of non-fossil energy generation and associated technological solutions providing customers with district heating leading to a reduction in CO₂ emissions. With the exception of start-up, and in cases of emergencies, the district heating may be created by back-up measures, e.g. generators run on fossil fuel.

KommuneKredit has disbursed 176 green loans of DKK 13.4 billion in total from 2017-2020.

SDG linkage



Primary EU environmental objective
Climate change mitigation.



Photo: HOFOR A/S

Facts:

HOFOR A/S, Greater Copenhagen Utility, supplies drinking water, district heating and cooling, town gas and disposal of wastewater to citizens in the Copenhagen metropolitan area. **CTR I/S**, the Metropolitan Copenhagen Heating Transmission Company, operates a transmission system for district heating system supplying district heating systems in five municipalities in the Greater Copenhagen Area.

Total estimated project cost: App. DKK 5.6 billion.

Disbursed green loans for project purposes from KommuneKredit in 2020: DKK 800 million to HOFOR and DKK 2.8 billion to CTR.

Expected environmental impacts:

- 1.1 million tonnes in annual CO₂ reductions at Amagerværket of which two-thirds regards to the production of district heat and can be attributed to KommuneKredit's green loans in 2020. The CO₂ savings come from corresponding energy savings in coal and therefore today no coal is used at Amagerværket.
- Green, secure and affordable district heating supply.



Water management

A DKK 20 million green loan for construction of a new waterworks and afforestation in Assens is one example of the eligible projects in the water management category. By year-end 2020, 31.2 per cent of the total disbursed green loan volume was in this category.

In 2020, Assens Forsyning was granted a green loan for the construction of a primary and new high-tech waterworks with an annual capacity of 800,000 m³ of drinking water. The waterworks has both pre- and post-filtration and two parallel lines. Each line treats water from its own catchment area to ensure maximum security of supply of a critical infrastructure. New technology also enables the waterworks to detect potential water spills at individual citizen level thereby helping to protect water as a resource and reduce water spills and damage.

The new waterworks in Assens supplies more than 4,000 households and the business community, which includes Denmark's fourth-largest brewery. The green loan also includes afforestation of 50 hectares in one of the catchment areas for groundwater protection. The area contributes annually with 325,000 m³ of groundwater and afforestation forms part of a targeted environmental initiative that aims to increase the share of urban state forests in Denmark. The varied deciduous forest 'Lundager Skov' is being planted in 2021 and will provide new opportunities for outdoor life for local citizens.

Facts:

Assens Forsyning A/S is a utility company within the area of water, wastewater and waste management serving Assens Municipality on the island of Funen.

Disbursed green loan from KommuneKredit in 2020: DKK 20 million.

Expected environmental impacts:

- Secure future supply of clean drinking water.
- Protection of groundwater.
- Increase share of urban state forest.

The water management green loan category covers new investments in and ongoing maintenance of water collection, treatment, recycling, cleaning, reuse, technologies and related infrastructure.

KommuneKredit has disbursed 292 green loans of almost DKK 7 billion in total from 2017-2020.

SDG linkage



Primary EU environmental objective

Sustainable use and protection of water and marine resources.



Photo: Assens Forsyning A/S



Clean public transportation

Light rail facilitates a shift towards cleaner public transportation, and we have provided green loans of DKK 1.1 billion in total for Denmark's first light rail in the country's second-largest city Aarhus. By year-end 2020, 7.4 per cent of the total disbursed green loan volume was in this category.

Aarhus Letbane is establishing a network of light rail in East Jutland, which connects cities and districts in the Aarhus area more closely and makes it easier for commuters to get to and from work. The light rail replaces diesel trains on an existing line and adds additional lines. City buses are closing and commuting is rerouted to the light rail, which is expected to lead to fewer cars on the roads. As the first in Denmark, the project is pioneering light rail and is a major infrastructure investment. KommuneKredit has financed the construction costs with ongoing loans of more than DKK 2 billion since

2015. Following the introduction of green loans in 2017, DKK 1.1 billion is green financing.

The first phase involves a total of 110 kilometers and has been in operation since April 2019. In April 2020, Aarhus Letbane announced the results of the first phase. It shows that the replacement of diesel trains and buses with the electric light rail provide annual savings of 4,305 tonnes of CO₂, which corresponds to a 70 per cent decrease. Also, local air pollution is decreasing as fewer particles are emitted to the air.

The clean public transportation green loan category covers new investments in and ongoing maintenance of low-energy or emission transportation assets, systems, infrastructure, components and services that facilitate modal shifts from private transportation to increased use of public transportation such as trains, underground trams and buses to the extent that these lead to a reduction in CO₂ emissions.

KommuneKredit has disbursed 11 green loans of nearly DKK 1.7 billion in total from 2017-2020.

SDG linkage



Primary EU environmental objective

Climate change mitigation.



Photo: Jens Hasse, Chili Foto

Facts:

Aarhus Letbane I/S constructs, operates and maintains Denmark's first light rail, Aarhus Letbane in East Jutland.

Total project investment: DKK 4.3 billion.

Disbursed green loans from KommuneKredit: DKK 550 million in 2017; DKK 400 million in 2018 and DKK 150 million in 2020.

Expected environmental impacts:

- 4,305 tonnes in annual CO₂ reductions of which around a quarter can be attributed to KommuneKredit's green loans from 2017-2020.
- Expansion of clean public transport.
- Clean air and less noise.



Energy efficiency

Green loans of DKK 9 million help reduce energy consumption in Svendborg, where street lights are renovated, and luminaires replaced with LED. By year-end 2020, 1.4 per cent of the total disbursed green loan volume was in the energy efficiency category.

From 2014-2019 Svendborg Vejbelysning has replaced more than 6,000 mercury and fluorescent luminaires in Svendborg Municipality with LED technology and replaced old wooden and lattice masts with new pipe masts and wired overhead lines. The initiative forms part of the city's plan towards 2023 for renovating 12,000 street lights. Of these 49 per cent were mercury and fluorescent luminaires that have a high consumption of energy and were phased out of production in 2015. The initiative also supports Svendborg Municipality's aim to reduce energy consumption and CO₂ emissions.

Implementing high quality, energy efficient LED technology and a remote control system, which dim or turn of the light during the night at applicable sites, not only saves energy and reduces CO₂ emission – it also saves significant costs and improves efficiency in relation to operations and maintenance. LED lightning has an expected service life of 25 years. Svendborg Vejbelysning is using the savings to repay its two green loans disbursed in 2019 and 2020.

The energy efficiency green loan category covers new investments in and ongoing maintenance of existing buildings leading to more energy efficient buildings. New investment or ongoing maintenance of public street lighting leading to a more energy efficient system.

KommuneKredit has disbursed 25 green loans of more than DKK 303 million in total from 2017-2020.

SDG linkage



Primary EU environmental objective
Climate change mitigation.



Photo: Svendborg Vejbelysning A/S.

Facts:

Svendborg Vejbelysning A/S operates and maintains the street lights in Svendborg Municipality.

Total project investment: DKK 9 million.

Disbursed green loans from KommuneKredit: DKK 4.5 million in 2019 and DKK 4.5 million in 2020.

Expected environmental impacts:

- 129 tonnes in annual CO₂ reductions.
- 938 GJ in annual energy savings.
- Future-proof street lights with upgradeable infrastructure.

Green financing governance

KommuneKredit's Green Bond Framework sets out the criteria and process for our green financing. All green loans are verified and approved by KommuneKredit's Green Bond Committee before being classified as eligible projects.

KommuneKredit's [Green Bond Framework](#) from 2017 is consistent with the [Green Bond Principles](#) (2016) by the International Capital Markets Association (ICMA). In 2017, the Center for International Climate and Environmental Research – Oslo (CICERO) provided a [Second Opinion on the framework](#), which led to a medium green shading, which is CICERO's second-highest grading.

We use our green bond proceeds to finance either new investments, new investments into existing eligible projects or existing investments into existing eligible projects. We allow for both new financing and re-financing from the green bonds proceeds. Our framework defines four eligible project categories, cf. p. 10-13. We define eligible projects as a selected pool of

credit facilities and loans granted by KommuneKredit, which are financing, partly or in whole, a customer's project or investment that promotes the transition of low-carbon and climate resilient growth. Customers who can receive a green loan from KommuneKredit are Danish regions, municipalities and semi-public entities guaranteed by regions or municipalities.

For a green loan to be granted it is subject to approval by KommuneKredit's [Green Bond Committee](#). In 2020, the committee had two external members and two members from KommuneKredit of which one is Chairman. They uphold the governance of KommuneKredit's Green Bond Framework and approve or reject the preliminary eligible projects presented to

Updating our Green Bond Framework

In 2020, we started updating our Green Bond Framework, and our aim for 2021 is to finalise this work. We seek to include more project categories in our new framework, to the extent possible, while at the same time following best practices and striving for consistency with the new green finance standards as they develop over time. New standards and guidelines, such as ICMA's updated Green Bond Principles (2018) as well as the incoming EU Green Bond Standard (EU GBS) and the EU taxonomy on climate change mitigation and adaptation with more to come, are shaping the market developments, which we monitor closely. As recommended in the EU GBS and the Nordic Position Paper on Green Bond Impact Reporting we will also be considering external verification of our allocation reporting going forward.

them. As part of our internal assurance process, we provide an annual [Assurance Statement](#) on KommuneKredit's green bond management and we disclose an annual [Green Bond Impact Report](#) to enable investors to follow the development and allocation of proceeds.



Potential eligible project

Our lending department reviews a loan application to be categorised as a potential eligible project.



Preliminary eligible project

Our lending department concludes the review against the criteria to determine if it categorises as a preliminary eligible project.



Eligible project

Our Green Bond Committee verifies the loan and either approves or rejects the classification as an eligible project under our framework.

Reporting methodology

Our annual green bond impact reporting includes allocation reporting and we apply a portfolio-based approach reporting on impact on an aggregated level as well as a project-by-project approach.

This report comprises all eligible projects financed under KommuneKredit's Green Bond Framework by year-end 2020. In addition to this report, we disclose a list of all projects financed under our framework according to lending category as of 31 December 2020 cf. [List of Green Loans 2020](#). We strive to align our reporting with the Nordic Public Sector Issuers: [Position Paper on Green Bonds Impact Reporting](#) and in 2021, we will update our methodology in conjunction with our update of the Green Bond Framework.

Portfolio-based approach

We apply a portfolio-based approach in our impact reporting, i.e. report on a bond-programme basis, and report impact of disbursed amounts as well as impact attributable to our investors. Further, we provide a breakdown of impact attributable to each bond issuance, using a simple pro-rata allocation as recommended in the Position Paper on Green Bonds Impact Reporting, cf. page 10.

Reporting on expected impact

Reported impacts are based on expected impact assessments provided by KommuneKredit's customers. KommuneKredit does not validate the provided data. We report CO₂ reduction and other impacts per invested monetary unit solely for investments made in projects or project categories where such impact is quantifiable and relevant.

As defined in our Green Bond Framework, our eligible project criteria allow projects that contribute to either a CO₂ reduction compared to an existing situation or a zero CO₂ project, which maintain an existing climate-friendly project profile/solution. On some projects, particularly with in water management, it is not possible to collect impact data as the projects have long construction phases and customers borrow on e.g. an annual basis for their running capital expenditures. Furthermore, a given loan can cover several projects. Even though the projects by definition are environmentally friendly, it is proving difficult to quantify the impact.

New financing and refinancing

It is KommuneKredit's ambition to use the majority of the proceeds for new projects, i.e. financed within 15 months before the time of the green bond issuance, as defined in our Green Bond Framework. However, we allow for both new financing and refinancing from our outstanding green bonds proceeds.

As of 2020, KommuneKredit has five outstanding green bonds including our private placement. The distribution between new financing and refinancing is based on the relevant issue dates. When we calculate the split between new finance and refinance, KommuneKredit applies a waterfall-principle. Firstly, we count 15 months backwards from the issue date of the relevant green bond. If the accumulated notional of green loans, disbursed within 15 months, is greater than the notional of the relevant green bond, the "new financing" is 100 per cent. The same approach is repeated for the other green bond issues.

The outstanding notional of the green loan portfolio may vary over time and on any given historical date. New green loans are added to the green loan portfolio at the date of approval by the Green Bond Committee. The green loan portfolio amount is adjusted for loan pre- and repayments.

KOMMUNEKREDIT

Kultorvet 16
DK-1175 Copenhagen K
Denmark

Tel. +45 33 11 15 12
kk@kommunekredit.dk
www.kommunekredit.com
CVR No. 22 12 86 12

Published on 26 May 2021

