



KommuneKredit Green Bond Framework 2022

February 2022



KOMMUNEKREDIT
STEADY & STABLE

Financing the local green transition in Denmark



Members – Denmark's **98 municipalities and 5 regions** – represent the entire Danish population



KOMMUNE
KREDIT
—
STEADY
& STABLE



Funding Danish green investments in the international capital markets

... on the backdrop of Denmark's strong green ambitions



National level

Reduce GHG emissions by

70%

by 2030, relative to 1990 levels. Climate neutrality by 2050

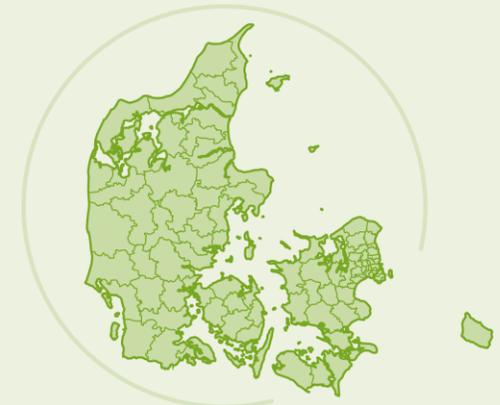


Regional level

Reduce CO₂ emissions by

75%

by 2030



Municipal level

Aligned to Paris Agreement

through the DK2020 climate initiative.
95 municipalities in DK2020

Our Green Bond Framework 2022 in brief



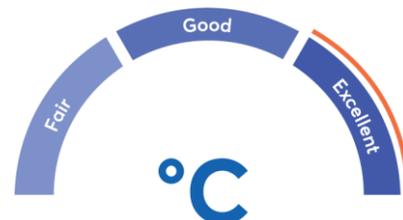
ICMA Green Bond Principles aligned

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting



CICERO Second Party Opinion

- Medium green shading.
- Excellent governance score.
- Confirmation of alignment with Green Bond Principles



EU taxonomy assessment

- An EU Taxonomy assessment conducted for transparency purposes
- Most of the expenditure aligned or partly aligned with the Technical Screening Criteria of the Climate Change Mitigation objective

Cicero Second Party Opinion



Medium Green



Excellent Governance



**Aligned with ICMA
Green Bond Principles**

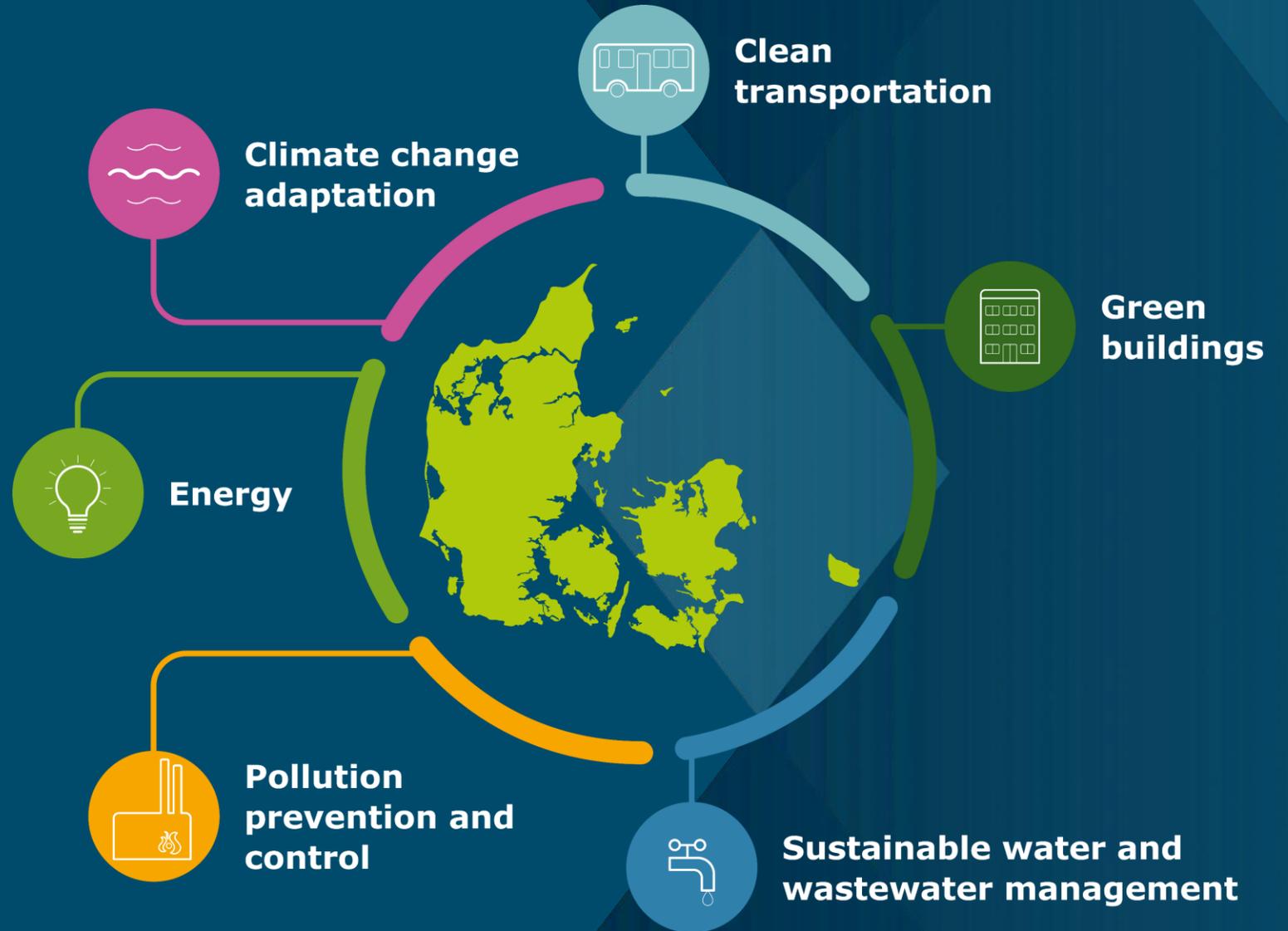


As KommuneKredit is the main provider of finance for local public purpose infrastructure in Denmark, the high sustainability ambitions of KommuneKredit's members imply a strong foundation for KommuneKredit's issuance of green bonds.

CICERO – Shades of Green
Second Opinion Provider

**Assessment of alignment with the EU
Taxonomy Technical Screening Criteria for
substantial contribution to Climate
Change Mitigation**

Use of proceeds





Clean transport

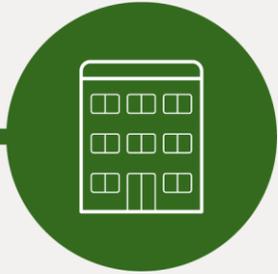
We grant green loans for projects within the Clean transport category when the investment contributes to the electrification of public and other municipal and regional transport – on land as well as on water.

- Road and public transport
- Infrastructure for road and public transport
- Passenger water transport
- Infrastructure for water transport
- Infrastructure for rail transport

Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely aligned





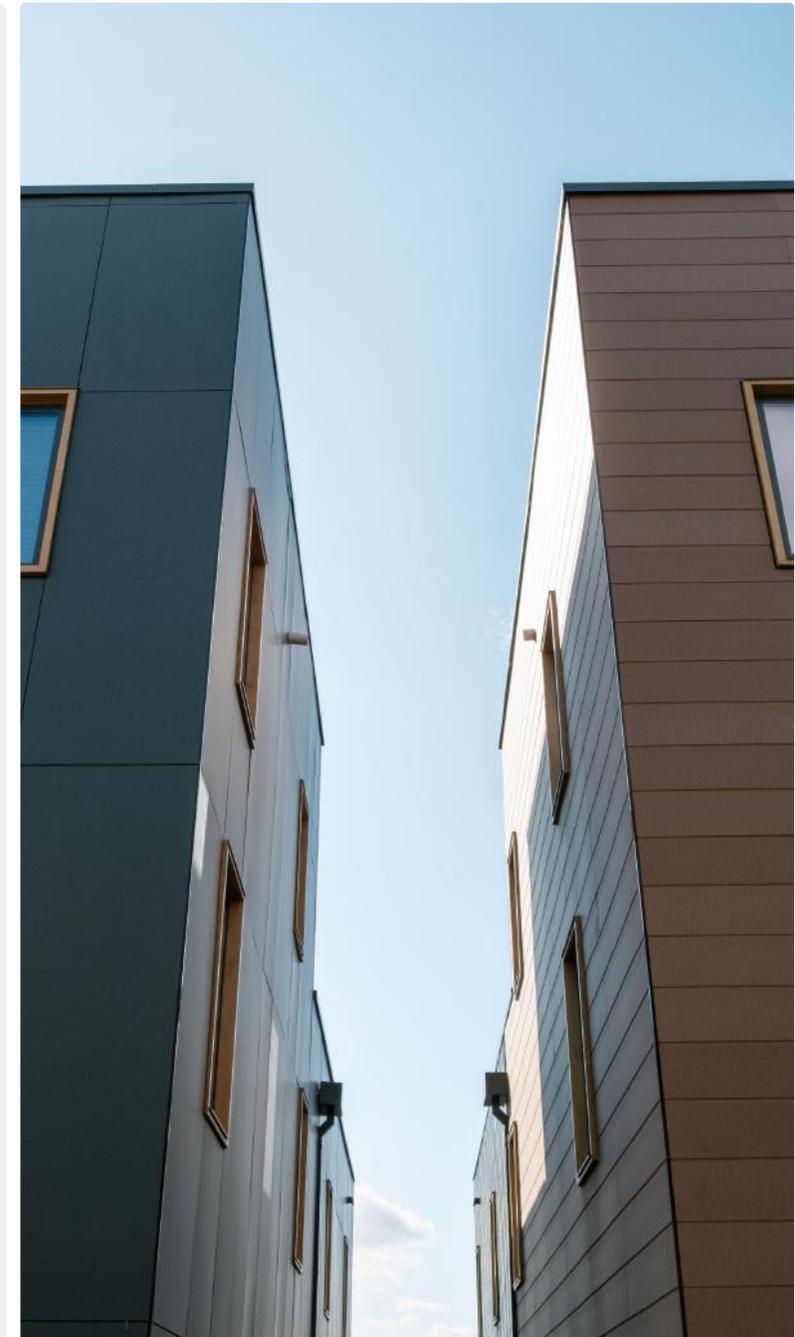
Green buildings

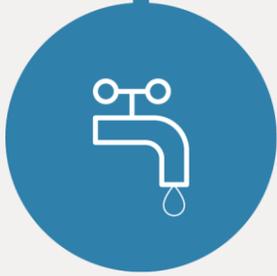
We grant green loans for projects within the Green buildings category when the investment concerns the construction of new buildings, acquisitions or energy-saving measures that lead to energy-efficient and / or climate-friendly buildings.

- Construction of new buildings
- Renovation of existing buildings
- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of renewable energy technologies
- ESCO-projects/Energy Performance Contracts
- Acquisition and ownership of buildings

Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely partially aligned





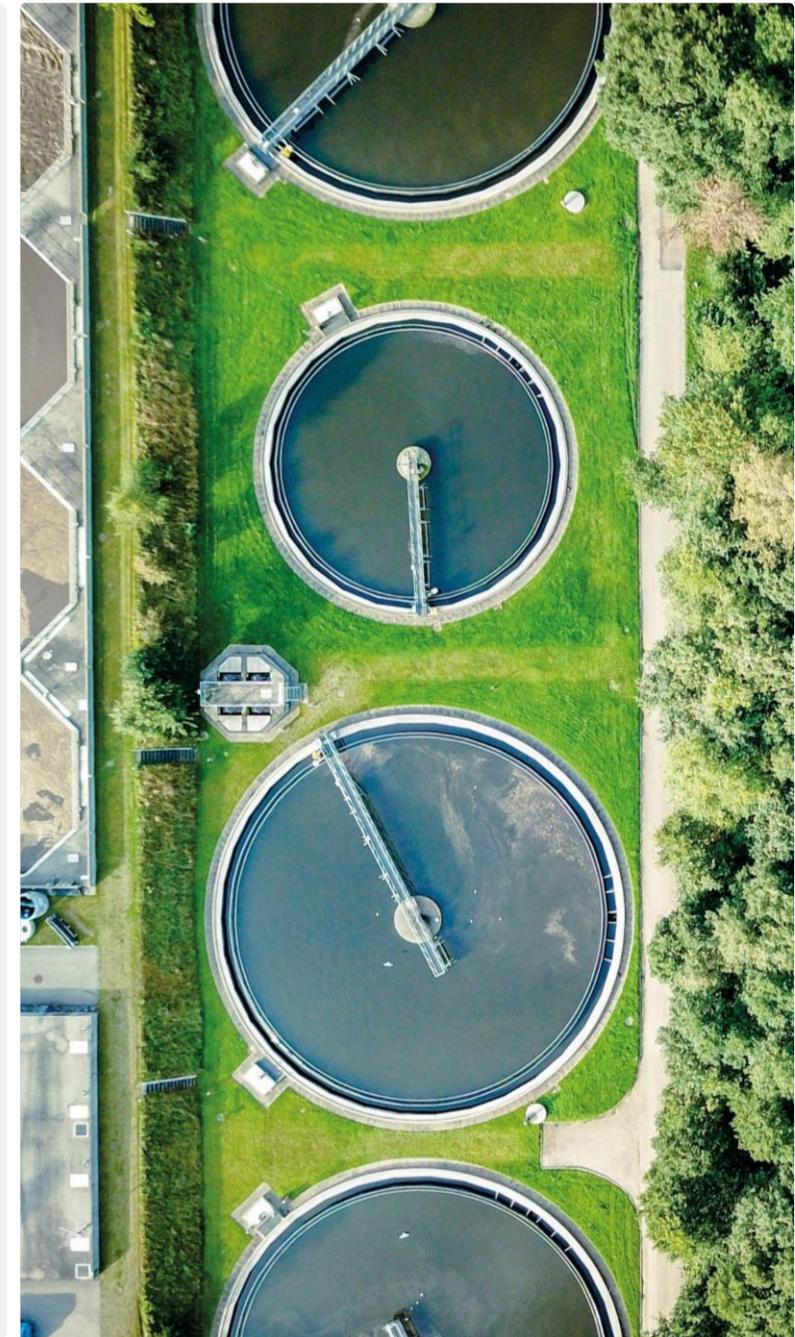
Sustainable water and wastewater management

We grant green loans for projects in the Sustainable water and wastewater management category when concerning investments in drinking water or water from buildings or from precipitation, which contribute to, for example, improving the security of the supply, reducing environmental impact, climate adaptation and/or energy savings.

- Water collection, water treatment and water supply systems
- Wastewater collection and treatment
- Biogas

Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely not aligned





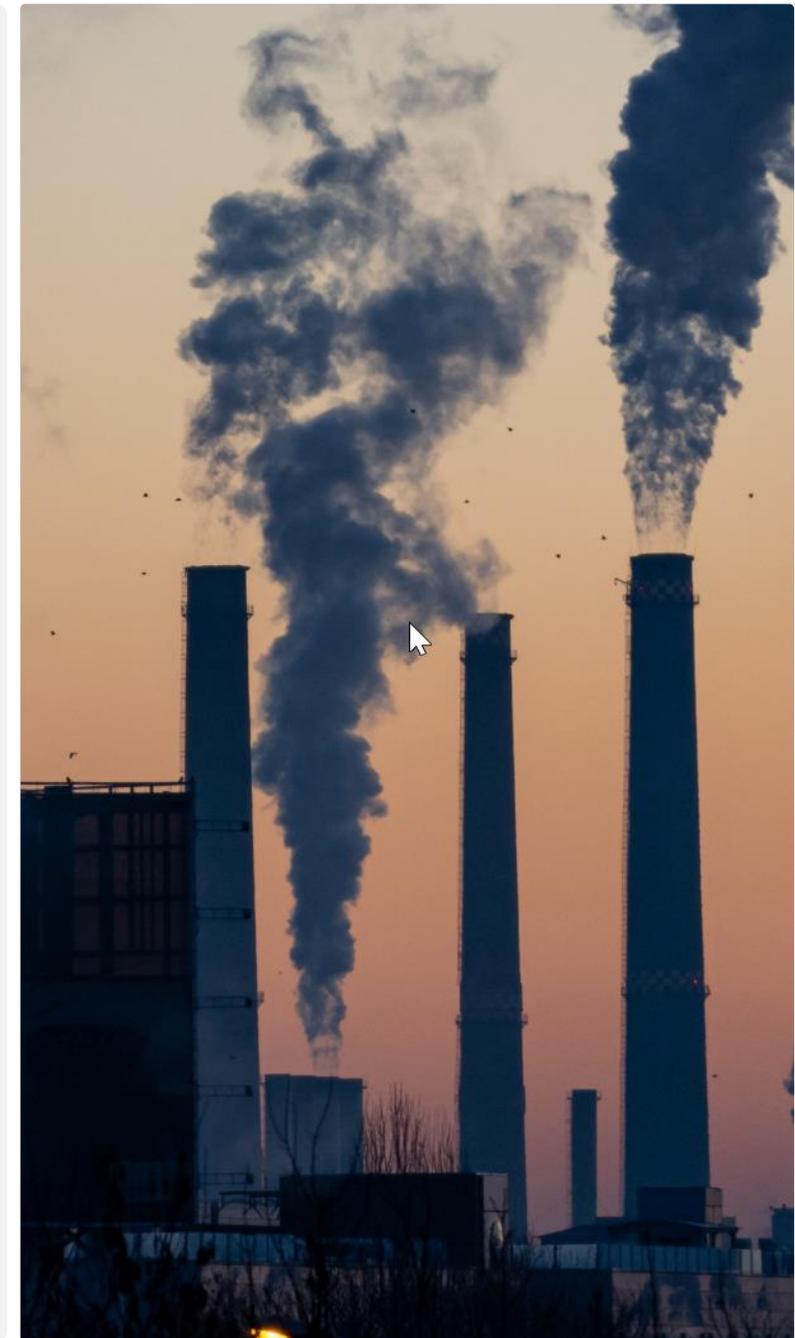
Pollution prevention and control

We grant green loans within the Pollution prevention and control category for projects that help to reduce waste and increase the proportion of recycling as well as to projects that contribute to more energy-efficient waste incineration.

- Waste management
- Energy efficiency measures in existing waste-to-energy plants
- Carbon capture

Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely partially aligned





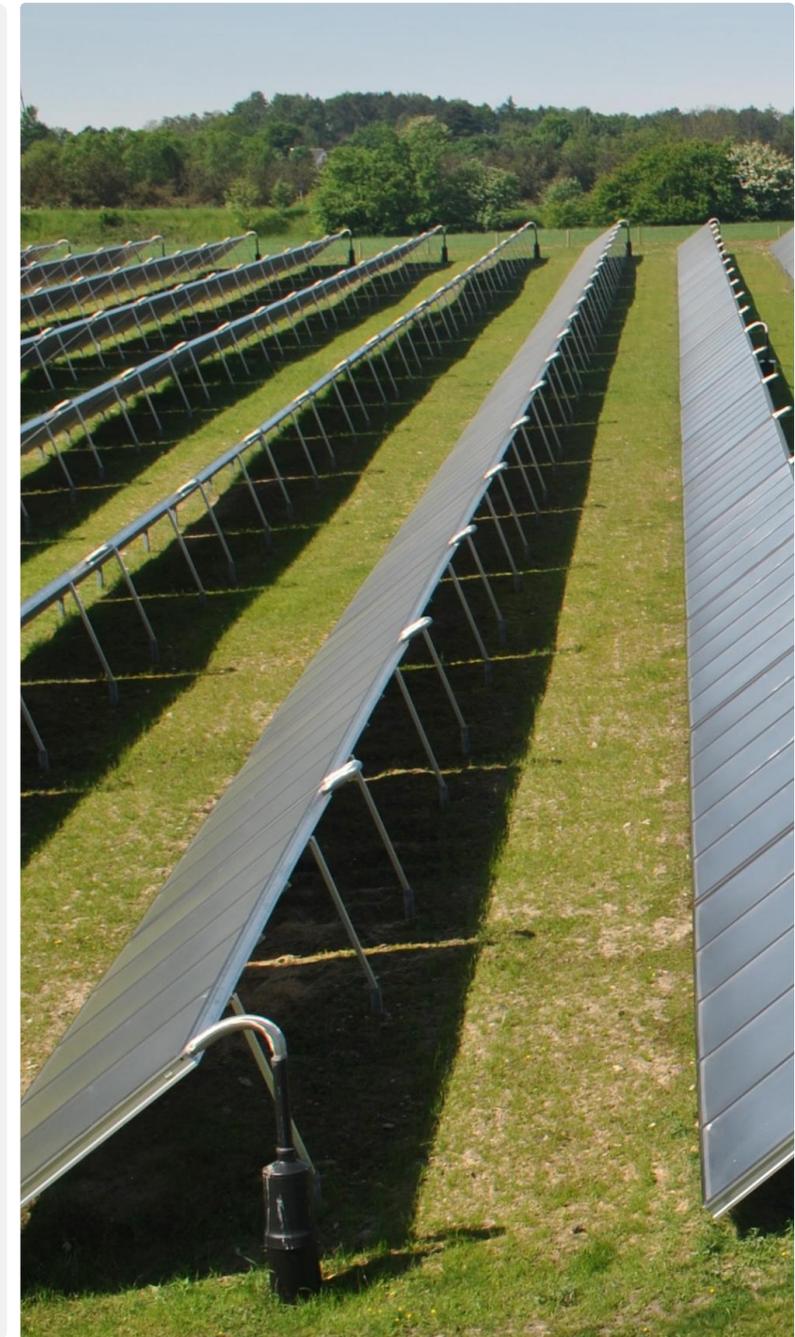
Energy

We grant green loans to projects in the Energy category for investments that concern district heating and the production of renewable energy used for heating.

- District heating distribution
- Heat pumps
- Storage of thermal energy
- Solar energy
- Geothermal energy
- Bioenergy
- Waste heat

Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely aligned





Climate change adaptation

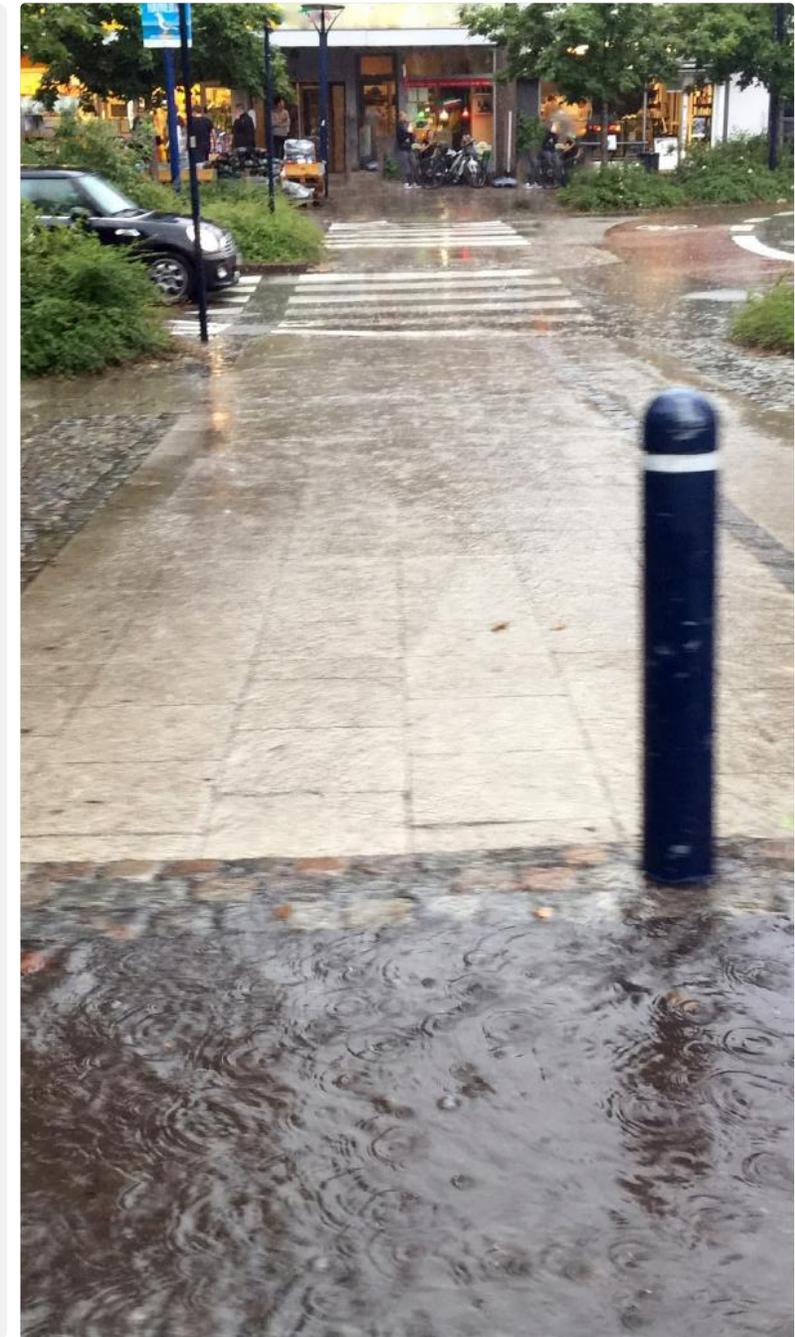
We grant green loans to projects within the Climate change adaptation category when they contribute to improving and strengthening the resilience of Danish local communities against current and future climate change impacts.

- Adaptation measures



Alignment to Technical Screening Criteria for Climate Change Mitigation

Likely not aligned



EU Taxonomy

- Through external assistance, KommuneKredit has assessed the alignment of the updated framework with the Climate Change Mitigation objective of the EU Taxonomy.
- KommuneKredit has also used the EU Taxonomy as a tool to identify eligible green activities in the updated Framework.
- The aim has been to drive transparency for all our stakeholders as the development of uniform and credible standard definitions is important for market transparency and the further development of a strong green capital market.
- KommuneKredit will continue its work on the EU Taxonomy and follow the regulation as it evolves over time.

The three pillars of the EU Taxonomy



Technical Screening Criteria



Do No Significant Harm



Social Safeguards

Contributing to climate change mitigation



Technical Screening Criteria

▪ As a part of our Second Party Opinion, CICERO assessed the alignment to technical screening criteria.

✓ Clean transportation

✓ Energy

§ Green buildings

§ Pollution prevention and control

⋮ Water and wastewater management

⋮ Climate change adaptation



Do No Significant Harm

▪ We have assessed the Do No Significant Harm criteria with assistance from a technical consultant.

▪ Overall, as our eligible projects are all based in Denmark, which has an extensive environmental regulations, there is a strong basis for aligning with the Do No Significant Harm criteria.

▪ An example of this is the Danish Act of Environmental Assessment. The Act ensures that our Green Loans across categories must be assessed in terms of doing no significant harm to biodiversity.



Social Safeguards

▪ KommuneKredit as well as its members are subject to strict European and Danish regulations on working and social conditions.

▪ Denmark has ratified all main human rights conventions and ILO core conventions.

▪ KommuneKredit's environmental and social responsibility is reflected in its procurement policy.

Process for project evaluation and selection

- KommuneKredit's Sustainable Finance team is involved in the **evaluation** as well as the **selection** of projects for the Green Loan Portfolio.
- KommuneKredit's Green Bond Committee gives **final approval** to all Green Loans included in the Green Loan Portfolio.
- The Green Bond Committee consists of external committee members with **expert knowledge** of sectors relevant for the Framework as well as members from KommuneKredit's **executive management**.



1

The Lending and Leasing Department identifies a potential Green Loan



2

The Customer submits green documentation



3

The Sustainable Finance team assesses green documentation

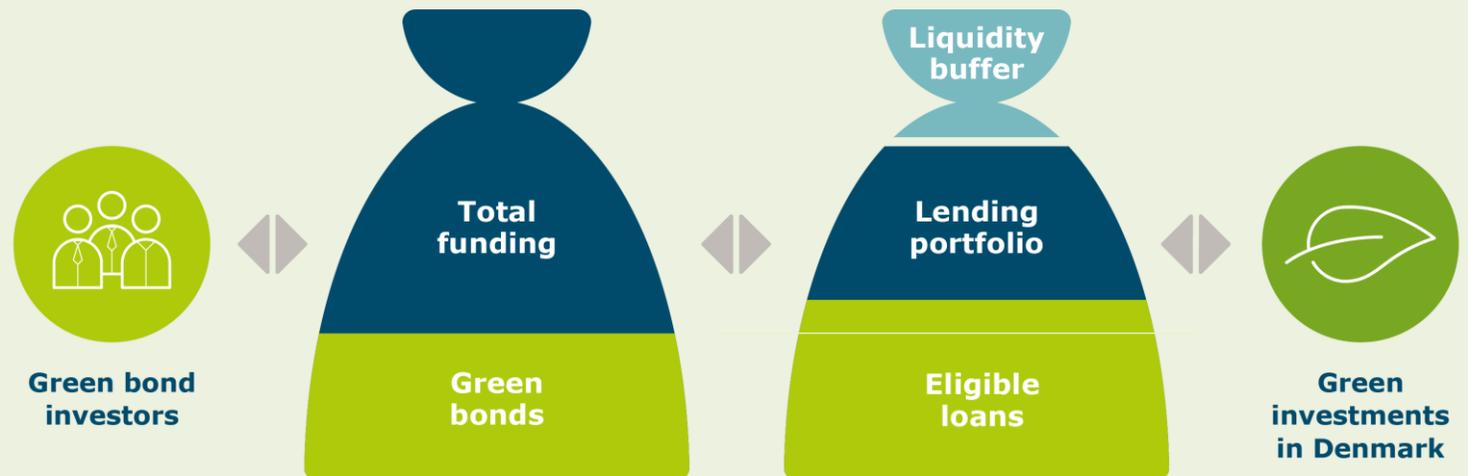


4

The Green Bond Committee approves or rejects Green Loan

Management of proceeds

- We build our portfolio of green assets prior to issuing Green Bonds. This ensures that there is always a pool of assets underlying our bonds.
- Net proceeds of the Green Bonds are earmarked to a separate Green Bond Portfolio.
- We have a surplus of Green Loans relative to our Green Bond Portfolio in case loans are repaid early or perhaps removed from the portfolio, for example.



Reporting



Allocation reporting

- Summary of Green Bond developments
- The outstanding amount of Green Bonds issued per type of Green Loan category
- The distribution between new financing and refinancing
- Mapping the contribution to the Environmental Objectives of the EU Taxonomy on category level



Impact reporting

- Cases of selected green projects
- Positive and adverse environmental impacts in aggregated form
- Section on methodology and assumptions used in impact calculations
- Anonymized list of disbursed green loans published on KommuneKredits' website
- Seeking to align with the reporting standards of the Nordic Public Sector Issuers' Position Paper on Green Bonds Impact Reporting



External review

- Independent external party to provide annual statement on use of proceeds
- Second opinion of Framework from CICERO Shades of Green

Thank you for your attention

Contacts are available on our website.

Find our Green Bond Framework at

www.kommunekredit.com



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»» KommuneKredit is supporting a greener Denmark