



Green Bond Impact Report

Impact statement at
year-end 2023

KommuneKredit
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CVR no. 22 12 86 12



Executive summary

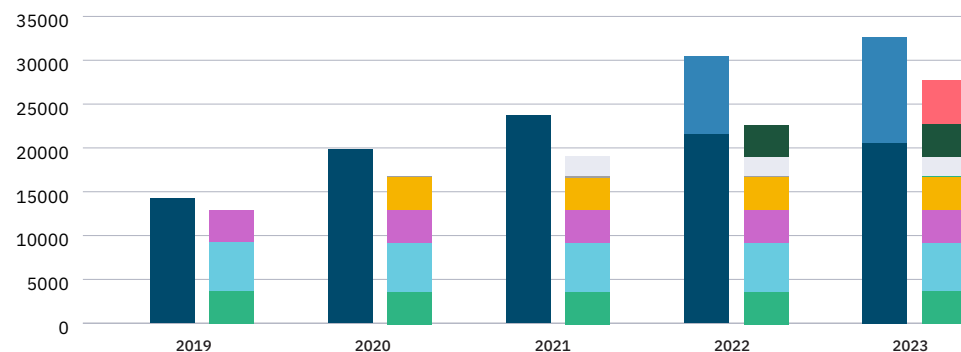
As of year-end 2023

Key facts

- This Green Bond Impact Report includes allocation as well as impact reporting.
- Each green loan is selected according to KommuneKredit's > [Green Bond Framework 2022](#) (GBF 2022) or > [Green Bond Framework 2017](#) (GBF 2017).
- This report covers the green loan portfolios of both Green Bond Frameworks.
- The reported environmental impact of the green loans is based on our customers' ex ante impact estimates to the extent data is available > [Impact Reporting Methodology](#)
- The loan portfolios consist entirely of green loans granted to Danish municipalities and regions, or entities responsible for municipal or regional tasks, backed by a municipal guarantee.
- KommuneKredit reports on a portfolio basis in Danish kroner (DKK). Green bond issues in other currencies are converted into DKK as per 31 December 2023.
- KommuneKredit reports in accordance with recommendations outlined in the Nordic Public Sector Issuers: Position Paper on Green Bond Impact Reporting (March 2024).
- Impacts are based on the outstanding nominal value of loans.
- Separate reporting is provided for Green Bond Framework 2017 and Green Bond Framework 2022 with an emphasis on the latter throughout the report.

Green loans and green bonds

DKK million



Green loans

- Outstanding Green Loans (GBF 2017)
- Outstanding Green Loans (GBF 2022)

Green bonds

- EUR 500 million green bond, XS1622415674 (6/2017)
- EUR 750 million green bond, XS1851226891 (7/2018)
- EUR 500 million green bond, XS2081058096 (11/2019)
- EUR 500 million green bond, XS2226280084 (9/2020)
- AUD 40 million green bond, XS2240514336 (10/2020)
- GBP 250 million green bond, XS2400352949 (10/2021)
- EUR 500 million green bond, XS2489343793 (6/2022)
- USD 750 million green bond, XS2711552989 (11/2023)

Basic information

Green bond frameworks applied	The report comprises projects financed under KommuneKredit's Green Bond Frameworks dated February 2022 and March 2017
Related green bond ISIN(s)	XS1622415674; XS1851226891; XS2081058096; XS2226280084; XS2240514336; XS2400352949; XS2489343793; XS2711552989
Reporting approach	Portfolio-based and anonymised project list
Reporting period	1 January 2023 to 31 December 2023. The report comprises all eligible loans financed from the start of our green bond programme in 2017 until year-end 2023
External verifier of allocation report	Deloitte Statsautoriseret Revisionspartnerselskab
Publication date	13 March 2024
Reporting frequency	Annual
Next report due	March 2025

Executive summary

› Green Bond Framework 2022 as of year-end 2023

CO₂e impact and green indicators

Project category	CO ₂ e emissions reduced/avoided (tonnes p.a.)	Outstanding green loans (DKK million)	Impact (tonnes CO ₂ e per DKK million)
Clean transportation	0	53	0
Green buildings	383	447	0.9
Sustainable water and wastewater management	276	3,151	0.1
Pollution prevention and control	7,218	726	10
Energy	97,282	7,442	13
Climate change adaptation	0	217	N/A
Total	105,159	12,037*	
Outstanding green loans with reported CO₂e impact		5,164	
Impact, tonnes CO₂e per DKK million			20
Annual renewable energy generated, MWh p.a.			1,035,766
Annual energy reduced/avoided, MWh p.a.			9,160

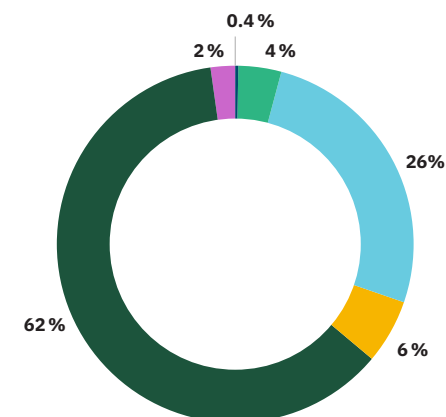
* Figures have been rounded to the nearest whole figure, so totals do not necessarily tally.

The table presents the calculated impact in terms of CO₂e reduced or avoided. Aggregated data reported represent our customers' ex-ante impact estimates. Our reporting methodology is presented on page 19. The complete list of our green loans is disclosed in an anonymised › [List of Green Loans 2023](#) of all loans financed under our frameworks as of 31 December 2023.

Impact attributable to green bond investors	73%*
Green bond EUR 500 million, maturing 16 May 2029, XS2489343793	31%
Green bond USD 750 million, maturing 1 November 2027, XS2711552989	42%

* Total amount of outstanding green bond divided by total outstanding green loan portfolio as of year-end 2023 under Green Bond Framework 2022 (in DKK).

Green loan portfolio distribution



Green loan categories*

- Clean transportation
- Green buildings
- Sustainable water and wastewater management
- Pollution prevention and control
- Energy
- Climate change adaptation

* Due to rounding, the numbers do not sum exactly to 100%.

Executive summary

› Green Bond Framework 2017 as of year-end 2023

CO₂e impact and green indicators

Project category	CO ₂ e emissions reduced/avoided (tonnes p.a.)	Outstanding green loans (DKK million)	Impact (tonnes CO ₂ e per DKK million)
Clean public transportation	2,320	1,380	2
Energy efficiency	2,420	249	10
Water management	74	8,337	0
District heating	1,273,227	10,594	120
Total	1,278,041	20,559	62*

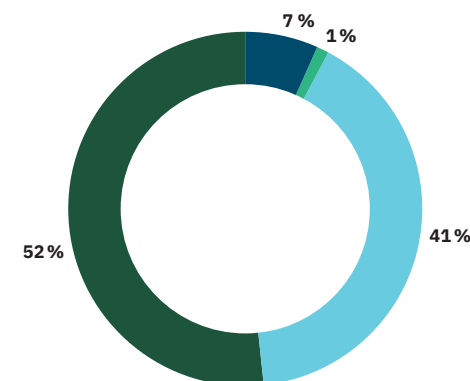
* Note that the impact of the 2017 green loan portfolio is significantly higher than that of the green loan portfolio under the Green Bond Framework 2022. This is particularly attributable to differences in impact calculation, see › [Impact Reporting Methodology](#). In relation to the green loan portfolio under our Green Bond Framework 2022, impact calculations are based on primary physical activity data provided by customers. A conservative approach is applied in calculating the CO₂e. For the 2017 portfolio, the CO₂e is reported directly by customers.

The table above presents the calculated impact in terms of CO₂e reduced or avoided. Aggregated data reported represents ex-ante estimates. The complete project-by-project reporting is disclosed in an anonymised › [List of Green Loans 2023](#) of all loans financed under our frameworks as of 31 December 2023.

Impact attributable to green bond investors	93%*
Green bond EUR 500 million, maturing 18 May 2027, XS1622415674	18%
Green bond EUR 750 million, maturing 5 July 2028, XS1851226891	27%
Green bond EUR 500 million, maturing 21 November 2039, XS2081058096	18%
Green bond EUR 500 million, maturing 26 September 2040, XS2226280084	18%
Green bond AUD 40 million, maturing 1 October 2032, XS2240514336	1%
Green bond GBP 250 million, maturing 15 August 2024, XS2400352949	10%

* Total amount of outstanding green bonds divided by total outstanding green loan portfolio as of year-end 2023 under Green Bond Framework 2022 (in DKK). Due to rounding, the numbers do not sum to exactly 100%.

Green loan portfolio distribution



Green loan categories*

- Clean public transportation
- Energy efficiency
- Water management
- District heating

* Due to rounding, the numbers do not sum exactly to 100%.

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About this report

This Green Bond Impact Report includes allocation and impact reporting on KommuneKredit's green bonds including examples of green loan cases. As used in this report, the term 'green loans' refers to the financing or refinancing, through loans or finance leases, in whole or in part, of investments undertaken by the customer that promote the transition towards a low-carbon, climate resilient and environmentally sustainable society – in each case as determined by KommuneKredit and KommuneKredit's Green Bond Committee in accordance with the green loan categories defined in our [Green Bond Framework 2022](#).

We align our reporting with Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting (March 2024). We apply a portfolio-based approach, reporting on impact on an aggregated level, as well as provide an anonymised [List of Green Loans](#) of all loans financed under our frameworks as of 31 December 2023.

In KommuneKredit's Annual Report 2023, we report on our strategy, ESG targets, ESG activities and ESG ambition. This Green Bond Impact Report 2023 supplements our annual report and it has been approved by the Management Board and was published on 13 March 2024.



About KommuneKredit

KommuneKredit is established by law and organised as an association and is under the supervision of the Danish Financial Supervisory Authority. We disbursed our first loan in 1899. Our mission is to contribute to financial latitude in Danish municipalities and regions by providing financing at the lowest possible cost.

KommuneKredit is not subject to EU sustainable finance regulation. However, although not subject to legal requirements with regards to ESG-reporting, we do our best to satisfactorily meet our investors' data needs on a voluntary basis. For more information on ESG data availability, see our [Annual Report](#), p. 80.

Get in touch

We welcome any comments, suggestions, or questions you may have regarding this report or our performance. Please send an email to [> bf@kommunekredit.dk](mailto:bf@kommunekredit.dk).

Stay up to date on the most recent developments at [> kommunekredit.com](https://kommunekredit.com) and follow KommuneKredit on [LinkedIn](#).

Introductory remarks

The Danish Climate Act contains a binding national objective to reduce carbon emissions by 70 per cent by 2030 compared to 1990 levels. At the local level in Denmark, our members, the Danish municipalities and regional authorities, and associated entities responsible for municipal or regional tasks, continue to make substantial investments in the green transition that support this national reduction target. This is, among other things, reflected in the continued uptake of green loans at KommuneKredit.

In total, our green loan portfolios consist of 1,008 outstanding green loans with a total value of DKK 32.6 billion, which equals 22 per cent of our total lending. In 2023, green loans constituted 24 per cent of all KommuneKredit's new fixed-term loans. The estimated impact attributable to the green loans under our Green Bond Framework 2022 portfolio is an annual carbon emission reduction or avoidance of more than 100,000 tonnes of CO₂e per year.

By year-end 2023, we had issued a total of DKK 27.9 billion in green bonds and green

bonds made up 12 per cent of our total bond portfolio. In November 2023, we issued a USD 750 million green bond, which was well received in the market.

As the figures indicate, we continue to see strong support locally in Denmark for meeting the national climate targets. This was also demonstrated with the Danish climate initiative DK2020, a cooperative network of municipalities and relevant stakeholders, which had as its main goal to help Danish municipalities develop local climate action plans that meet the objectives of the Paris Agreement and to contribute to the Danish government's 70 per cent reduction target.

In 2023, the DK2020 initiative was transformed and expanded into the Climate Alliance, a five-year commitment to aid the municipalities in implementing their climate action plans, reducing carbon emissions and enhancing climate resilience throughout Denmark. All Danish municipalities and regional authorities take part in the Climate Alliance. According to a recent analysis of the

climate action plans, Danish municipalities aim to reduce their carbon emissions by 76 per cent by 2030. Notably, a significant part of the climate action plans concerns investments that are eligible for KommuneKredit's financing.

Another example of the strong local support for national climate targets are the ambitions of the Danish district heating companies, which have set the goal of being 100 per cent carbon-neutral by 2030. Similarly, the Danish water sector aims to become climate neutral by 2030. In this context, it is noteworthy that investments in energy, which includes district heating, and in water and wastewater management, constitute 91 per cent of our green loan portfolios.

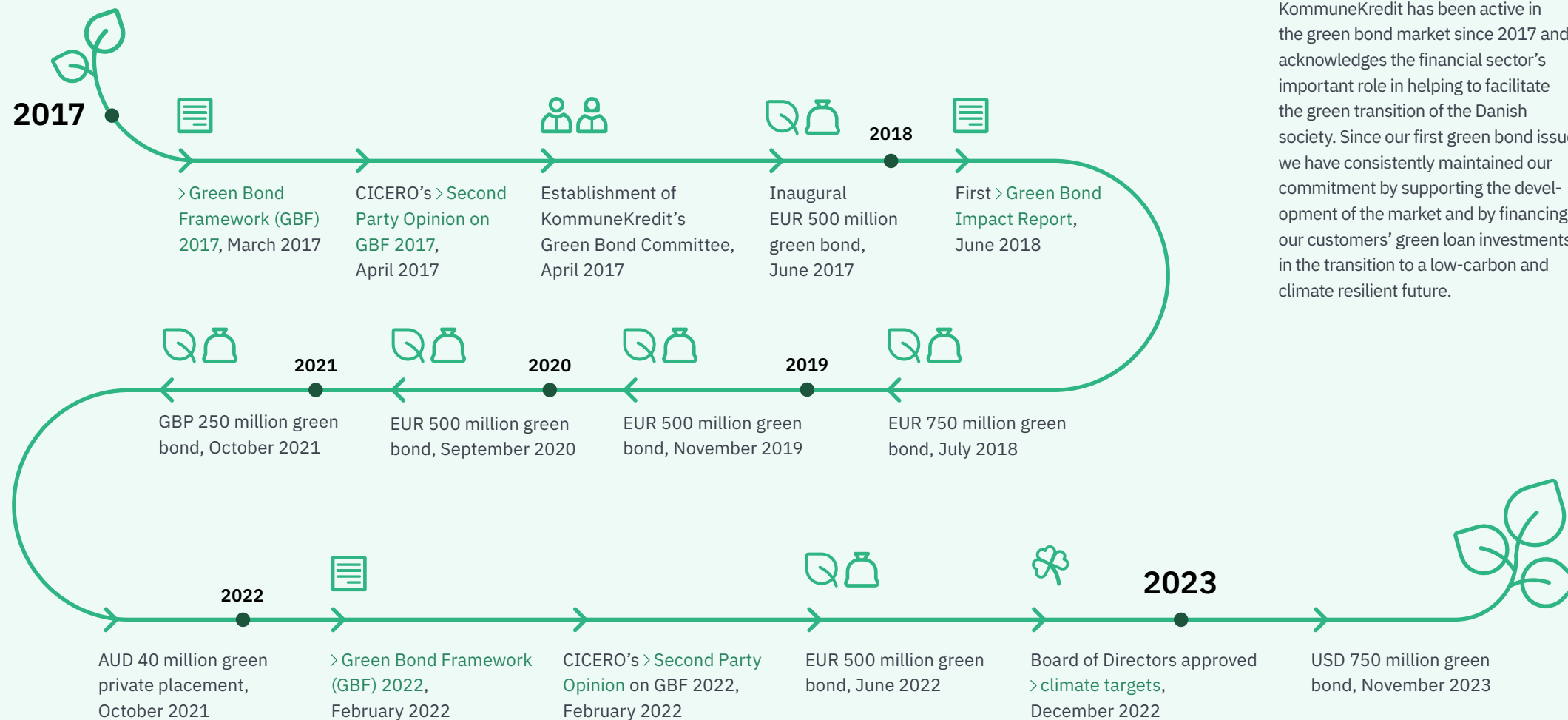
All in all, the strong ambitions of our members and associated entities show that KommuneKredit has a very strong foundation for issuing green bonds and for a continued strong presence in the green bond market in the years to come.



Henrik Andersen

Managing Director, Member of the Management Board and Chairman of KommuneKredit's Green Bond Committee

Our green finance history



KommuneKredit's green finance timeline

KommuneKredit has been active in the green bond market since 2017 and acknowledges the financial sector's important role in helping to facilitate the green transition of the Danish society. Since our first green bond issue, we have consistently maintained our commitment by supporting the development of the market and by financing our customers' green loan investments in the transition to a low-carbon and climate resilient future.

Green bonds

Since our inaugural green bond issue in 2017, we have issued green bonds on an annual basis. In November 2023, we issued a USD 750 million green bond, which was well received in the market. The USD transaction was KommuneKredit's inaugural USD denominated green bond issue, providing additional diversification to our overall green investor base.

Total green bonds

27.9

DKK billion

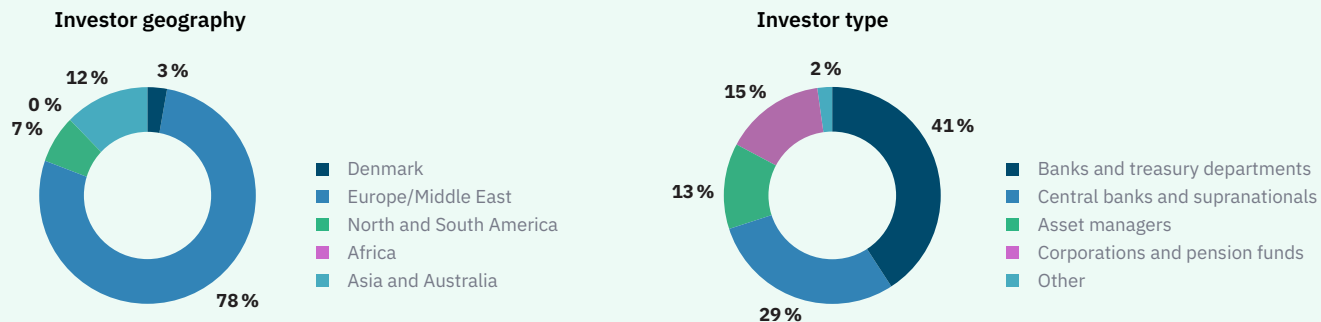
Green bond ratio

12%

Share of total
funding

Investor distribution

USD 750 million green bond issued on 1 November 2023, ISIN: XS2711552989



Outstanding green bonds

ISIN	Size (million)	Issue date	Maturity	Coupon (%)	Green Bond Framework
XS1622415674	EUR 500	1 June 2017	18 May 2027	0.75	2017
XS1851226891	EUR 750	5 July 2018	5 July 2028	0.75	2017
XS2081058096	EUR 500	19 November 2019	21 November 2039	0.625	2017
XS2226280084	EUR 500	3 September 2020	26 September 2040	0.125	2017
XS2240514336	AUD 40	2 October 2020	1 October 2032	1.336	2017
XS2400352949	GBP 250	20 October 2021	15 August 2024	0.75	2017
XS2489343793	EUR 500	8 June 2022	16 May 2029	0.015	2022
XS2711552989	USD 750	1 November 2023	1 November 2027	0.051	2022

Green loans

Demand for green loans continues to grow and in 2023, green loans constituted 24 per cent of KommuneKredit's new fixed-term lending. By year-end 2023, we had 1,008 outstanding green loans. In 2023, the green loan portfolio of the Green Bond Framework 2022 included 158 eligible green loans with a total value of DKK 3.7 billion.

Strong green loan pipeline

KommuneKredit has a target of increasing the share of sustainable loans in our loan portfolio to at least 25 per cent by 2025. We remain confident that this goal is achievable, considering our strong green loan pipeline.

In Denmark, expansion of energy-efficient district heating is ongoing, and we expect that district heating investments will continue to contribute significantly to our green loan portfolio. According to the Danish District Heating Association, the Danish Energy Agency has estimated that over 300,000 gas boilers are expected to be phased out in favour of green heating sources such as district heating. In 2023, 50 per cent of our newly established construction credits concerned investments in district heating, which corresponds to DKK 2.5 billion.

As described in the introductory remarks of this report, our members and associated entities generally have strong green ambitions, which also suggests a continued solid green loan pipeline that can support us in achieving our 25 per cent sustainable loan target in 2025.

Total green loans

32.7

DKK billion

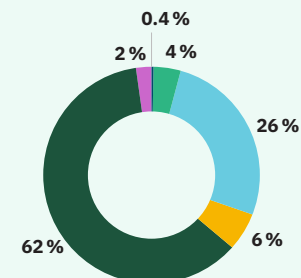
Green loan ratio*

22%

Share of total lending

* Calculated as the share of the outstanding nominal value of approved green loans of the outstanding nominal value of fixed-term loans excluding construction credits, our leasing portfolio and bond loans as of 31 December 2023.

Green loan portfolio distribution as of year-end 2023



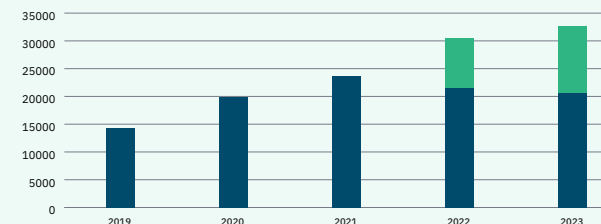
Green loan categories*

- Clean transportation
- Green buildings
- Sustainable water and wastewater management
- Pollution prevention and control
- Energy
- Climate change adaptation

* Due to rounding, the numbers do not sum exactly to 100%.

Outstanding green loans 2019-2023

DKK million



- Outstanding green loans – Green Bond Framework 2017
- Outstanding green loans – Green Bond Framework 2022

Financing and refinancing of green loans

KommuneKredit uses the net proceeds from green bonds to finance both new and existing green loans within our six green loan categories. The green loans form part of our green loan portfolio, which is used as the basis for our green bond issuance. KommuneKredit pre-finances green loans until the total disbursed green loan volume enables a green bond issue and as such deploys a bottom-up approach to green financing.

We report on the share of new financing and refinancing by aligning to the Nordic Position Paper approach (allocated amounts to projects during and before the year of reporting). In our Green Bond Framework 2022, we state an ambition to report according to the latest version of the EU Green Bond Standard (July 2021). At the time, this was in alignment with the previous version of the Nordic Position Paper. As this is

not the reporting methodology described in the final regulation, it is not reported on.

Our Green Bond Framework 2022 does not establish a look-back period. The loans included in our portfolio in 2023 are almost exclusively from the reporting period or the previous year.

2023 in review



Green loans

158

outstanding green loans of DKK 3.7 billion approved in 2023

1,008

outstanding green loans of DKK 32.7 billion in total by year-end 2023

22%*

green loan ratio



Green bonds

1

green bond issuance of USD 750 million in line with the Green Bond Framework 2022 in 2023

8

green bonds and 1 green private placement of DKK 27.9 billion in total by year-end 2023

12%

green bond ratio

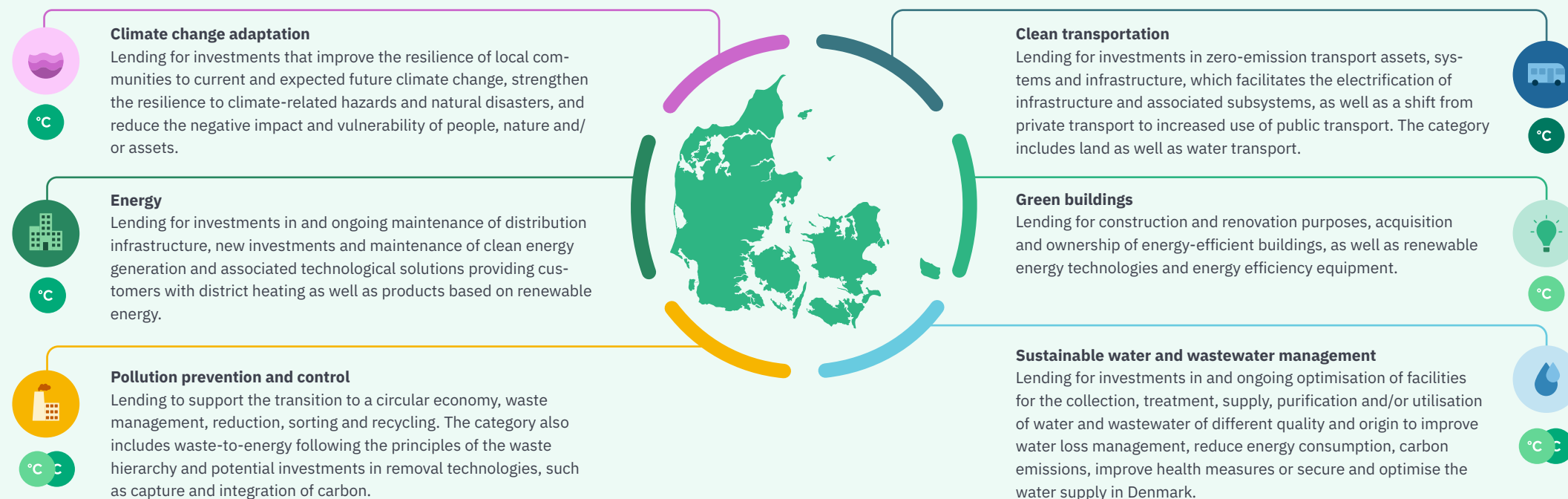
* Calculated as the share of the outstanding nominal value of approved green loans of the outstanding nominal value of fixed-term loans excluding construction credits, our leasing portfolio and bond loans as of 31 December 2023.

KommuneKredit's total green loan portfolio 2023 - financing and refinancing

Approach	Nordic Position Paper	
Definition	<i>Financing:</i> Committed volume of green loans during the reporting year	<i>Refinancing:</i> Committed volume of green loans before the reporting year
Share of our green loan portfolio	28%	72%

Green loan categories

Our >Green Bond Framework 2022 has an overall Medium Green shading and includes green loans across six eligible categories that range from Dark to Light Green according to our second-party opinion provider, CICERO Shades of Green, now S&P Global Ratings, as illustrated below.



Cicero Shades of Green

Cicero's Shades of Green are intended to communicate the following:



Dark Green corresponds to the long-term vision of a low carbon and climate resilient future.



Medium Green represents steps towards the long-term vision, but not quite there yet.



Light Green is climate friendly, but does not represent or contribute to the long-term vision.

Project portfolio summary

Project Category	Sustainable Development Goals	EU environmental objectives	Total number of loans	Green loans outstanding, DKK million ¹	Renewable energy production (MWh/year)	Energy reduced/avoided (MWh/year)	CO ₂ e emissions reduced/avoided (tonnes p.a.)	Impact (tonnes CO ₂ e per DKK million)
Clean transportation		Climate change mitigation	2	53	0	0	0	0
Green buildings		Climate change mitigation	31	447	0	2,998	383	0.9
Sustainable water and wastewater management		Sustainable use and protection of water and marine resources	145	3,151	3,653	29	276	0.1
Pollution prevention and control		Transition to a circular economy, pollution prevention and control	38	726	0	0	7,218	10
Energy		Climate change mitigation	222	7,442	1,032,113	6,134	97,282	13
Climate change adaptation		Climate change adaptation	10	217	0	0	0	N/A
Total			448	12,037²	1,035,766	9,160	105,159	
Disbursements with quantified CO ₂ impact, DKK mn								5,164
Share of disbursements with quantified CO ₂ impact								43%³

The table presents a summary of the green loan portfolio under the Green Bond Framework 2022 at year-end 2023.

¹ This allocation reporting has been subject to limited assurance. See Independent Auditor's Assurance Report on pp. 20-21.

² Figures have been rounded to the nearest whole figure, so totals do not necessarily tally.

³ The major part of the green loans within the category Sustainable water and wastewater management are not currently quantified in terms of CO₂e impact.

Assessment against the EU Taxonomy

Although not being subject to the EU Taxonomy Regulation, we have attempted a cautious estimate of the taxonomy alignment of our green loan portfolio on a generic level. When developing our current Green Bond Framework 2022, we engaged with an external technical consultant to assess our green loan categories and criteria against

the Technical Screening Criteria (TSC) of the climate change mitigation objective and the Do No Significant Harm (DNSH) criteria as outlined by the taxonomy. Additionally, Cicero Shades of Green, now S&P Global Ratings, conducted a light touch taxonomy assessment of the Framework as part of the second-party

opinion, focusing on the TSC of the climate change mitigation objective.

Based on this work, we assess that across our green loan portfolio under the 2022 Green Bond Framework, 71 per cent is likely aligned with the TSC for making a substantial contribution to the climate change mitigation objective, and the Danish regulation generally aligns with the applicable DNSH criteria. However, some of our green sub-loan categories are not reflected in the taxonomy, although important in a Danish context, and some loan categories have slight deviations relating to a lack of data, discrepancy of indicators and/or specific contextual national conditions. We perform our EU taxonomy assessment for transparency purposes and on a voluntary, preliminary, and best effort basis.

“Across our green loan portfolio under the 2022 Green Bond Framework, 71 per cent is likely aligned with the TSC for substantial contribution to the climate change mitigation objective.”

Alignment	Volume (DKK million)	Share
Likely aligned	8,497	71%
Likely partially aligned	156	1%
Likely not aligned	2,421	20%
Not covered	963	8%
Total	12,037*	100%

* Figures have been rounded to the nearest whole figure, so totals do not necessarily tally.

The table shows green loan portfolio 2022 alignment against the TSC of the climate change mitigation objective in the EU taxonomy by year-end 2023.



CASE

Climate change adaption

Over the past decade, the Municipality of Kolding in South Jutland has been working according to their Climate adaptation plan 2013-2025. As an east-facing coastal town, there is a risk of storm surge to the city of Kolding. In addition, the city is located at the bottom of a river valley and there is a risk of the stream overflowing its banks and flooding the low-lying urban areas when cloudbursts occur or in case of prolonged heavy rain. Hence, the municipality has carried out a large climate adaptation project to adapt the catchment area and hold back the water in the valley before it flows into the stream. Two new earth dikes that run across the valley can retain almost 60,000 cubic metres of water, reducing the risk of flooding of roads and houses in the city of Kolding. At the same time, the stream has been diverted and recreational areas have been created in the river valley.

Loan amount and purpose:

- DKK 5.9 million disbursed green loan financing the total estimated sum of the climate change adaptation project to prevent flooding in the valley.

Expected environmental impact

- Protection of aquatic ecosystems.
- More varied nature supporting local biodiversity.
- Expansion of green urban areas.



CASE

Energy

Hobro Varmeværk's vision is to future-proof heat supply by providing environmentally friendly district heating at competitive and stable prices. A cooperative, Hobro Varmeværk a.m.b.a., is a utility supplying heating for around 2,900 customers in Hobro - a market town in the Municipality of Mariagerfjord in the North Jutland region. Since 2015, the utility has been expanding its capacity and a total of more than 1,390 new customers had been supplied with district heating by year-end 2023. These represent a mixture of both private homes, large rental properties, companies and institutions such as schools, sports halls and the town's hospital. While the heating supply for many home-owners have changed from oil and natural gas boilers to district heating, the district heating production itself has also changed, as Hobro is now heated by biomass and surplus heat, instead of waste. In 2024, the utility will install a 40 MW electric boiler, and the rest of Hobro is expected to convert from natural gas to district heating by the end of 2025.

Loan amount and purpose:

- DKK 105 million disbursed green loan for the conversion from natural gas to district heating and production facilities for district heating. It constitutes 35 per cent of the total estimated project costs of DKK 300 million.

Expected environmental impact

- Supply of green, secure, and flexible heating.
- Displacement of 100,000 MWh fossil fuels.
- Improvement of air quality.





CASE

Pollution prevention and control

Samsø is an island in the Kattegat and one of the smallest Danish municipalities, with only 3,700 inhabitants. However, as a popular tourist destination attracting around 300,000 visitors annually, the generation of waste calls for sorting and professional waste handling. The various waste fractions must be prepared for transport off the island by ferry and lorry to waste handling plants in Jutland. To reduce costs and minimize environmental impact associated with transportation, the waste volume must be reduced. The most efficient way to achieve this is by compacting the waste in designated compactors for each waste fraction. In 2022, the municipality established a new area at the recycling site, Omlastepladsen, for reloading with a compactor and closed containers. The design of this area took changing weather patterns into account, and the wastewater infrastructure was adapted to accommodate increased precipitation. The compactors have already reduced the waste volume, even during peak seasons, for both bio waste and general waste. Handling of more fractions will be implemented once the installation can be extended.

Loan amount and purpose:

- DKK 6.56 million disbursed green loan, partly financing the establishment of a new area with a compactor to reduce the volume of collected waste fractions. It constitutes 55 per cent of the total estimated project costs of DKK 12 million.

Expected environmental impact:

- Reduction of carbon emissions.
- Increasing reuse and recycling through improved waste sorting.
- Decreased risk of spreading of potential harmful diseases by rats and birds.



CASE

Clean transportation

Owned by the Municipality of Aarhus and Central Denmark Region, Aarhus Letbane I/S constructs, operates and maintains Denmark's first light rail, Aarhus Letbane in East Jutland. The network of light rail, which has been in operation since 2017, connects cities and districts in the Aarhus area more closely and makes commuting to and from work easier for residents. It represents a major infrastructure investment, and Aarhus Letbane has gradually been replacing diesel trains on existing lines and adding additional lines with the electric light rail. Most recently, the light rail has replaced former privately-owned diesel trains to and from the station town Odder, as well as DSB's diesel trains to and from the port and market town Grenå. The light rail now annually transports up to six million passengers in and around Aarhus, where the alternative would likely have been diesel-powered trains, buses, or privately-owned vehicles. The replacements have led to carbon emission reductions and improved local air quality, as fewer particles are emitted into the air.

Loan amount and purpose:

- DKK 43.9 million disbursed as a green loan to the Municipality of Aarhus, partly financing the latest replacement of diesel trains with light rail. The loan covers additional costs of the original DKK 2.04 billion investment.

Expected environmental impact:

- Reduction of carbon emissions.
- Support for zero-emission transport assets and availability.
- Improvement of air quality.
- Support for local green transition.





CASE

Green buildings

To ensure carbon neutrality by 2050 and resilience to climate change, the Municipality of Rødovre on the island of Zealand has a climate action plan with 50 concrete initiatives including energy renovation of the municipal buildings. KommuneKredit has financed a large energy renovation project at Rødovre Parkvej Skole, which is a municipal school for 48 children and young people with special needs. Among other things, the renovation encompassed environmental remediation of the building including demolition, new faced elements including external doors, windows and sun protection and renovation of ventilation systems as well as sewage lines and wells. The energy renovation reduced the school's energy consumption by 51 MWh annually.

Loan amount and purpose:

- DKK 28.6 million disbursed green loan financing the total project sum for energy renovation of a municipal school building.

Expected environmental impact:

- Reduction of water and energy consumption.
- Reduction of carbon emissions.
- Improvement of the indoor climate.



CASE

Sustainable water and wastewater management

Tønder Forsyning A/S is a utility company operating water supply, waste systems and wastewater systems in the Municipality of Tønder in the South Jutland region. In 2023, the wastewater department made a partial replacement of the shared sewer system with a separate sewer system and a semi-separate sewer system in the town of Højer to make the system more robust and resilient to climate change. In connection with the replacement, a 10,000 m³ rainwater basin was established and will also function as a public recreational element. As the rainwater and surface water is channelled to the rainwater basin instead of the wastewater treatment plant, significant amounts of energy for wastewater treatment is saved. To keep the project costs down, the sanitation was conducted in conjunction with the municipality's comprehensive rehabilitation of the road, large parts of which are cobbled. Furthermore, a large part of the existing communal sewer system was renewed using excavation-free methods (relining), whereby costs were reduced significantly, as were carbon emissions during the construction phase.

Loan amount and purpose:

- DKK 17.9 million disbursed green loan partly financing a sewage separation. It constitutes 73 per cent of the total estimated project costs of DKK 24.4 million.

Expected environmental impact:

- Improvement of wastewater treatment.
- Reduction of mixed rain- and wastewater to the recipient.
- Local rainwater and surface water harvesting.
- Reducing energy consumption.



Green financing governance

KommuneKredit and our Green Bond Committee, see p. 18, uphold the governance of our Green Bond Framework 2022, and the committee is responsible for approving loans or finance leases as green and pursuant to the green loan criteria of our Green Bond Framework.

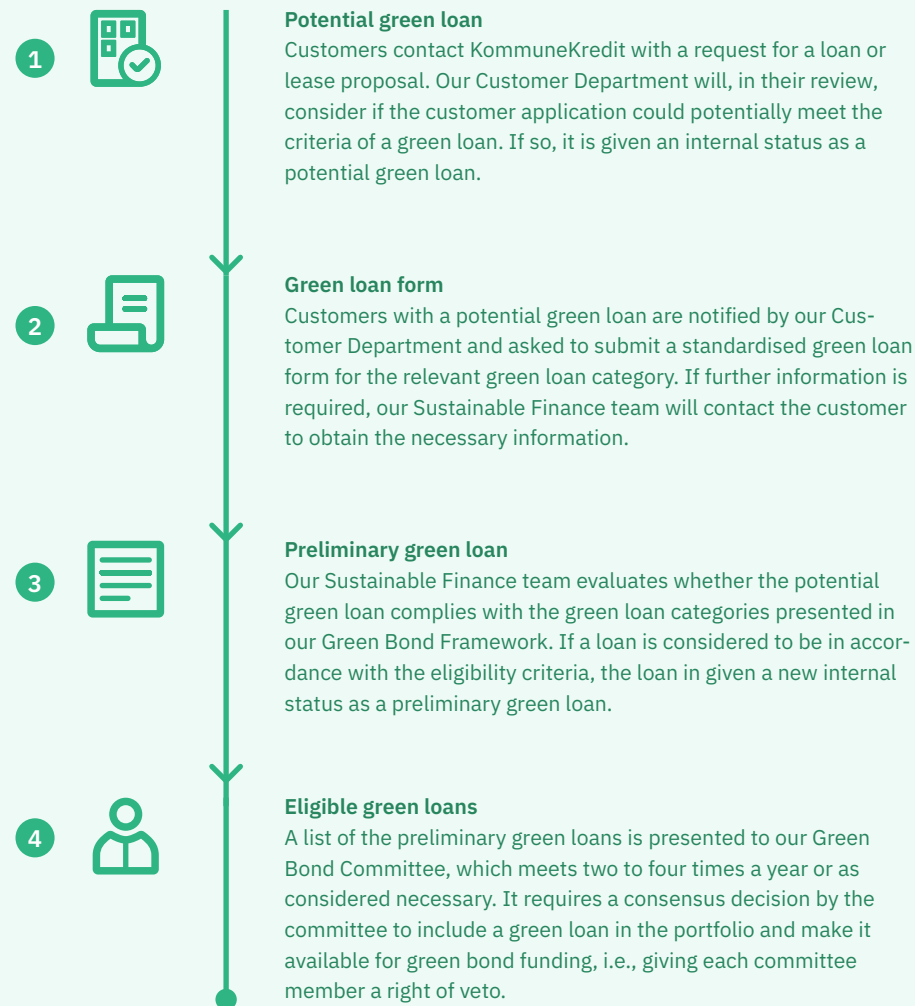
In 2023, 169 loans were in scope as potential green loans. Following our process of evaluating and selecting eligible green loans, 158 of these loans formed part of the green loan portfolio under the 2022 Green Bond Framework, at the time of reporting.

Management of proceeds

We build our portfolio of green loans prior to issuing green bonds. The net proceeds of our green bonds are earmarked to a separate portfolio – our green bond portfolio 2022. The green bond portfolio is used to finance KommuneKredit's green loan portfolio. For the avoidance of doubt, green loans financed under our Green Bond Framework 2017 constitute a separate portfolio – our green loan portfolio 2017.

An independent external party conducts an annual review of the allocation reporting in line with the Green Bond Framework 2022, see pp. 20-21.

Process of evaluating and selecting eligible green loans



Green Bond Committee

KommuneKredit's Green Bond Committee is mandated to approve or reject the preliminary green loans presented to them in line with the Green Bond Framework 2022. The committee has five members, three of whom are external experts. Furthermore, we have two alternate internal members. The external members are employed in, or in a sector relevant to, the Danish local government sector. They have expert knowledge of the sectors proposed to be eligible for lending under the framework, including extensive knowledge of environmental matters, climate change and/or climate adaptation.

In 2023, the committee convened three times to discuss preliminary green loans which resulted in 158 new outstanding loans pursuant to our Green Bond Framework

2022. More than 86 per cent of the loans approved in 2023 were within the energy and the sustainable water and wastewater management categories in terms of both lending volume and number of loans.

We expect the Green Bond Committee to approve our first green lease agreement in 2024. Due to technical matters, we have not processed eligible green leases in 2023 as otherwise previously planned.

More information

For more details on our green loans, please see the anonymised [List of green loans 2023](#).

Members of our Green Bond Committee

External voting members



Carl Hellmers
CEO, Fredericia Utility



Hans-Martin Friis Møller
CEO, Kalundborg Utility



Trine Lindegaard Holmberg
CEO, ARGO

Internal voting members



Henrik Andersen, Chairman
Managing Director



Guri Weihe
Head of Sustainable Finance

Green Bond Committee secretariat

Coordinator



Louise Rosentoft
Senior Funding & IR Manager

Internal alternate members



Lasse Pinderup Nygaard
Sustainable Finance Manager



Helle Winther
Sustainable Finance Manager

Reporting methodology

KommuneKredit is committed to providing transparent reporting annually and until maturity of the green bonds issued.

In alignment with our Green Bond Framework 2022, our reporting for the 2023 green loan portfolio includes both allocation and impact reporting for the purpose of demonstrating the expected environmental impact of green loans financed through the issuance of green bonds. Allocation reporting is based on the entire green loan portfolio while the relative share of each issued green bond can be found on pp. 3 and 4. The impact indicators applied are selected based on an analysis of relevance to our green bond investors.

More information

For more details, please see our [Green Bond Framework 2022](#) and [Impact reporting methodology paper](#).

Allocation reporting includes:

- A summary of developments of our green bond portfolio.
- The outstanding amount of green bonds issued, presented per type of green loan category.
- The distribution between new financing and refinancing.
- The total aggregated proportion of green bond net proceeds used per green loan category.
- Mapping of the contribution to the EU environmental objectives by loan categories.

Impact reporting includes:

- A list of green loans, including allocated amounts and brief project descriptions.
- A selection of project examples financed under the green bond framework.
- The associated environmental impact of the green loans based on KommuneKredit's share as well as which environmental objectives the green loans will support.
- Aggregated reporting, to some extent, as we can finance a large number of small green loans in the same green loan category.



Key reporting principles

- We follow the impact reporting principles of the Nordic Public Sector Issuers: Position Paper on Green Bond Impact Reporting, (March 2024).
- We calculate CO₂e emissions using scope 1 and scope 2 as defined by the Greenhouse Gas Protocol.
- We apply a conservative approach to the selection and calculation of emission baselines.
- We report on the impact share that is attributable to KommuneKredit's financing.
- We apply a portfolio approach.
- We provide an impact assessment subject to the reservation that not all related data can be obtained and that the reported impact is reliant on our customers' ex ante estimate of physical activity data.

Management statement

The Green Bond Impact Report 2023 has been prepared in accordance with the KommuneKredit Green Bond Framework 2022, issued on 28 February 2022 (the "Green Bond Framework"). In our opinion, Green Bond Impact Report 2023, including the allocation of green loans provides a true and fair view of the use of proceeds for the year ended 31 December 2023. Further, in our view, the use of proceeds as reflected in the Outstanding green loans, DKK 12,037 million as presented in the Green loan project portfolio summary on page 12, was allocated, in all material respects, in accordance with the Green Bond Framework's Green Loan Eligibility Criteria and the process for Project Evaluation and Selection.

Independent Auditor's Assurance Report on green bond allocation reporting

To the stakeholders of KommuneKredit

KommuneKredit has engaged us to provide limited assurance on green bond allocation reporting included in column 'Green loans outstanding, DKK million' in the Project portfolio summary (hereinafter referred to as 'the Allocation report') for the year ended 31 December 2023, presented on page 12 in the 2023 Green Bond Impact Report. The Allocation report was prepared to report on the allocation of green loans in accordance with the Green Bond Framework and accordingly, our report may not be suitable for another purpose. Our assurance engagement was limited to assessing the accuracy of the allocation of the outstanding green loans. Other than described in the preceding paragraphs, which set out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Green Bond Impact Report and accordingly, we do not express an opinion on this information.

Management's responsibility

Management of KommuneKredit is responsible for designing, implementing, and maintaining internal controls over information relevant to the preparation of the data and information in the Allocation report, ensuring it is free from material misstatement, whether due to fraud or error. Furthermore, Management is responsible for establishing objective criteria for preparing the Allocation report as described in the Green Bond Framework 2022 on pages 15-18 and for measuring and reporting the allocation of outstanding green loans based on the Green Bond Framework 2022, including the allocation of outstanding green loans in accordance with the process for project evaluation and selection on page 19 (hereinafter referred to as 'the Applicable criteria').

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion based on our engagement with Management and in accordance with the agreed scope of work. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and additional requirements under Danish audit regulation, to obtain limited assurance about our conclusion.

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Allocation report is free from material misstatement, whether due to fraud or error, and prepared, in all material respects, in accordance with the Applicable criteria;

- forming an independent conclusion, based on the procedures we performed and the evidence we obtained; and
- reporting our conclusion to the stakeholders of KommuneKredit.

Deloitte Statsautoriseret Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the requirements for independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles

of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

A limited assurance engagement is substantially less in scope than 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 we performed a reasonable assurance engagement.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement in the Allocation report. To do so, we have:

- conducted interviews with data owners and internal stakeholders to understand

the key processes and control activities for assessing the use of the proceeds, measuring, recording and reporting the allocation data;

- on a sample basis, reviewed evidence to check the accuracy of the allocation of outstanding green loans in accordance with the Applicable criteria as set out in the Green Bond Framework 2022;
- made inquiries regarding significant developments in allocation;
- considered the presentation and disclosure of outstanding green loans included in the Allocation report; and
- evaluated the evidence obtained.

Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us not to believe that the Allocation report for the year ended 31 December 2023, presented on page 12, has been prepared, in all material respects, in accordance with the Applicable criteria as set out in the Green Bond Framework 2022.

Copenhagen, 13 March 2024

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



Anders Oldau Gjelstrup
State Authorised
Public Accountant
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Mads Stærdahl Rosenfeldt
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Design og produktion: **Noted**

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