

Kommuninvest – Green Bonds Framework

12 January 2016

1. EARMARKED ACCOUNT

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support Kommuninvest's lending for Eligible Loans. As long as the Notes are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to Kommuninvest's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Loans. An amount equal to the special account balance will be held in cash, Green Bonds, Swedish covered bonds, Municipality and/or Government risk with a minimum, average credit rating of A- by Standard & Poor's or corresponding credit rating by another rating agency approved by Kommuninvest.

2. ELIGIBLE LOANS

“**Eligible Loans**” means a selected pool of loans from Kommuninvest which are financing, in whole or in part, Eligible Projects in member municipalities/county councils that primarily promote the transition to low carbon and climate resilient growth. Eligible Projects shall be part of the systematic environmental work in the applicant municipality/county council and be related to the national or regional environmental goals and target (a) mitigation of climate change, including investments in low-carbon and clean technologies, such as public transportation and renewable energy programmes and projects (“Mitigation Projects”), (b) adaptation to climate change, including investments in climate-resilient growth (“Adaptation Projects”) or (c) to a smaller extent (max 30 per cent of issued volume) projects which are related to environmental management in other areas than climate change.

Eligible Project categories are:

- Production and supply of renewable energy – such as wind, wave, solar, hydro, geothermal, bioenergy and biogas from waste - or conversion from fossil to renewable energy.
- Energy efficiency in energy systems - such as district heating/cooling, energy recovery and storage and smart grids
- Green buildings and energy efficiency:
 1. New buildings with at least 25 per cent less energy use per square metre and year than required by applicable regulations (Swedish Building Regulations (BBR 21)) and preferably a minimum certification of either 1) LEED gold, 2) BREEAM very good, 3) Environmental Building (Miljöbyggnad silver), 4) Svanen, 5) EU Green Building or 6) Feby-12 (Mini-energy building)

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2. Energy efficiency measures in existing buildings, activities and operations leading to at least 25 per cent less energy use
 3. Major renovation of buildings leading to a reduced energy use per square metre per year of at least 35 per cent or compliance with applicable regulations for new buildings (Swedish Building Regulations (BBR 21))
- Public transportation (such as trains, underground, trams, buses and infrastructure supporting public transportation) and other sustainable transportation (such as infrastructure for bicycles, pedestrians, electrical vehicles and logistics solutions with reduced environmental impact for transportation of people and cargo).
 - Waste management, reducing amount and harmful impact of waste, increasing re-use and recovery of materials and energy
 - Water management (such as water infrastructure, waste water management and cleaning facilities)
 - Adaptation to climate change; measures in buildings, infrastructure and sensitive surroundings
 - Environmental management in areas other than climate change (such as nature conservation, biodiversity measures, sustainable agriculture, improving eco-system services).

While Kommuninvest allows for financing of both new and completed projects, the ambition is to use the majority of the Green Bonds proceeds to new projects (planned, ongoing or finalised within nine months before the time of issuance). The actual distribution between new and completed projects will be available to investors in the annual letter (see section 4 below).

3. SELECTION OF ELIGIBLE LOANS

Eligible Projects will, on an ongoing basis, be:

1. identified and verified by the environmental functions in Kommuninvest's member municipalities/county councils.
2. selected by the Treasury Departments in Kommuninvest's member municipalities/county councils.

Eligible Projects will, on an ongoing basis, be:

3. pre-approved by Kommuninvest's Lending department

and, on a quarterly basis, be:

4. reviewed and finally approved by consensus vote in the Green Bonds Environmental Committee in terms of coherence with the criteria for Eligible Loans as defined in section 2 above. The Green Bonds Environmental Committee consists of representatives from the environmental function of two or more member municipalities/county councils, environmental experts from other relevant public sector organisations/academia/NGOs, as well as Kommuninvest's Management.

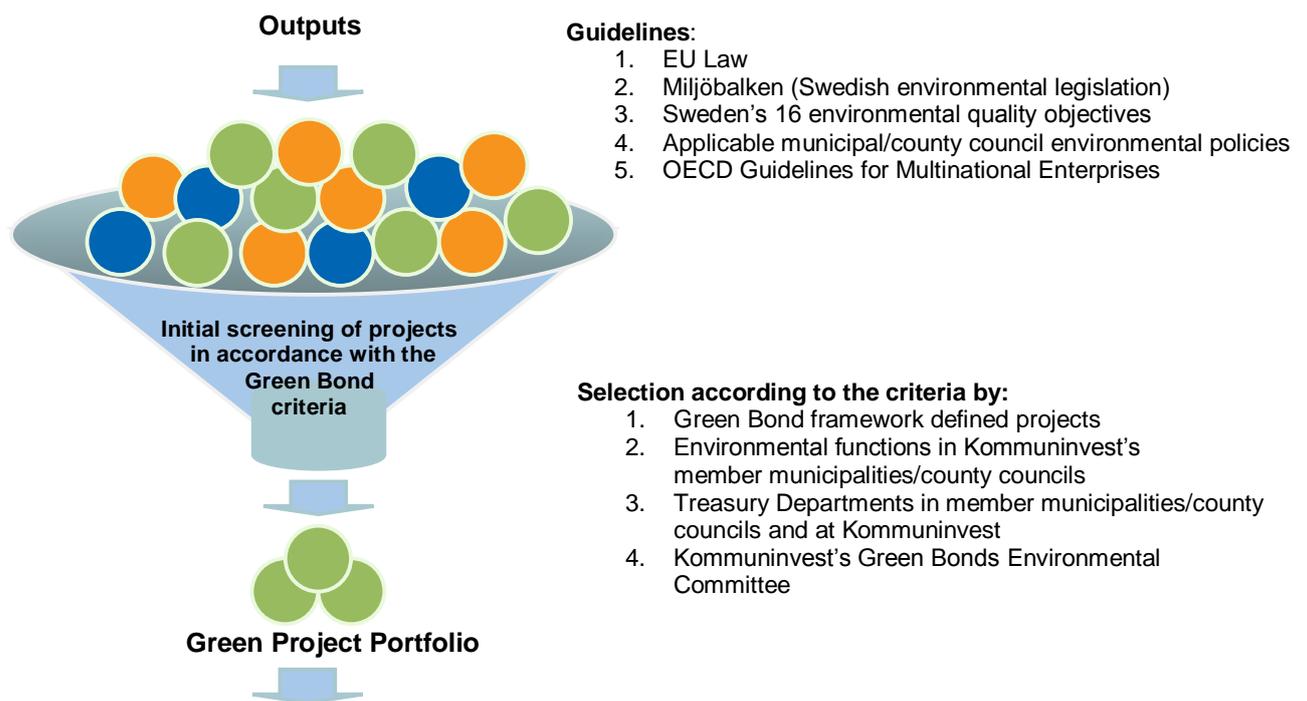
4. TRANSPARENCY

To enable investors to follow the development and provide insight to prioritised areas, Kommuninvest will provide an annual investor letter to investors including 1) a list of Eligible Loans/Projects exceeding SEK 25 million 2) a selection of project examples and 3) a summary of Kommuninvest's Green Bond development.

Kommuninvest encourages and promotes the use of impact analysis (ex-ante) and impact reporting (ex-post) to the largest extent possible. Impact analysis and impact reporting will be required for projects encompassing fossil energy to a non-negligible extent; such projects may be approved given that they have significant positive climate and/or environmental impact.

The investor letter will be made publicly available on Kommuninvest's webpage. Furthermore, the principle of free access to public records is applied. This will provide broad insight to both investors and potential investors.

Green Bond Project Selection Process Flowchart



5. REVIEW OF KOMMUNINVEST'S GREEN BONDS FRAMEWORK

The framework will be reviewed on an annual basis.