

Green Bond Framework

JUNE 2024

Introduction

The sustainable finance market continues to evolve with new and updated guidelines, standards and regulations, including updated versions of the Green Bond Principles, published by the International Capital Market Association (ICMA), the EU Taxonomy Regulation and the EU Green Bond Standard.

This Framework, our fourth, aligns with the latest available Green Bond Principles by ICMA and mirrors our updated Green Loan offering with the intention to better capture the EU Taxonomy's Substantial Contribution criteria to at least one of the six environmental objectives. The Framework also includes requirements for measures to address life cycle perspectives and embedded impact in construction of, for example, new buildings and infrastructure. This is a further step towards increasing Kommuninvest's engagement and investments in a more sustainable direction and align with best market practices. The Framework enables us to further mobilise debt capital via Green Bonds, to support investments contributing to the transition to a sustainable, resource-efficient and low-carbon Swedish society.

The Framework is developed to align with ICMA's Green Bond Principles (as of 2021 with June 2022 Appendix 1)¹. The four core components of the Principles along with its recommendation of external review form the basis of the Framework:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The terms and conditions of the underlying documentation for each Green Bond issued by Kommuninvest shall provide a reference to this Framework. S&P Global Ratings has provided a second-party opinion, which is publicly available at Kommuninvest's website².



¹ ICMA (2021). Green Bond Principles: Voluntary Process Guidelines for Issuing Green Bonds, June 2021 (with June 2022 Appendix 1). Available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

² Available at: <https://kommuninvest.se/en/greenbonds/>

Contents

1. STRATEGY AND RATIONALE	4
2. THE 2024 FRAMEWORK UPDATE	9
3. USE OF PROCEEDS	11
4. GREEN LOAN CATEGORIES	12
5. PROCESS FOR PROJECT EVALUATION AND SELECTION	20
6. MANAGEMENT OF PROCEEDS	21
7. REPORTING	22
8. EXTERNAL REVIEW	22



01 Strategy and rationale

This is Kommuninvest

Kommuninvest, the Swedish local government debt office, is a member organization representing the municipal sector in funding matters. It consists of the member association Kommuninvest Cooperative Society and its wholly-owned subsidiary, Kommuninvest i Sverige AB, which conducts all business operations, including borrowing and lending. Kommuninvest fills a similar role for the local government sector as the National Debt Office does for the central government and its authorities.

Kommuninvest's role entails offering secure and cost-effective financing to its members and customers – Swedish municipalities, regions, municipal companies and other local government actors.

All member municipalities and regions have entered into a joint guarantee commitment for Kommuninvest's obligations. By bringing local government funding needs together and channelling them through a single organisation, economies of scale are achieved, while keeping operating expenses down. Crucially, the financing solutions and the knowledge and debt management tools Kommuninvest provides benefit financial stability in Swedish municipalities and regions and help develop members' debt management expertise.

Since Kommuninvest's inception in 1986, we have contributed to significant reductions in borrowing costs for the municipal sector. This has ultimately benefited Sweden's residents and contributed to a developed community service at both local and regional levels.

At the end of 2023, the partnership that Kommuninvest represents encompasses 97 percent of Swedish municipalities and regions. By providing cost-efficient financing, Kommuninvest accounts for around 58 percent of the Swedish local government sector's borrowing.

Our contribution to sustainable development

Kommuninvest's sustainability work builds on the expectations of our stakeholders and on our mission to finance local government development and investment for a beneficial and sustainable society. Our aim is to integrate sustainability into all parts of our operations.

Kommuninvest's concept and vision includes encouraging societal development that is sustainable in the long term. The sustainable financing solutions that Kommuninvest offers foster efficient use of tax revenues, financial stability and the local government sector's work with Agenda 2030.

Municipalities and regions form the foundation of the Swedish welfare system. It is under their management that Swedish citizens encounter the most central welfare services, including healthcare, education and residential care. They also play a central role in providing associated infrastructure, in the form of housing, energy supply, public transport, water treatment, etc. Local government actors are fundamental to advancing Sweden's contributions to the Sustainable Development Goals.

Through lending to municipalities and regions, Kommuninvest establishes the conditions for the expansion and maintenance of the welfare system in Sweden, increasing the stability of local government finances and contributing to a more sustainable society.

Sustainability at Kommuninvest

Given its key role in financing the local government sector, it is crucial that Kommuninvest conducts its affairs responsibly, in accordance with applicable laws, regulations and directives, as well as stakeholder expectations. Kommuninvest's overarching approach to sustainability builds on the values of the Swedish local government sector, with our actions aligned with the Local Government Act and other relevant legislation.

Both Kommuninvest's Sustainability Policy³ and its Code of Conduct⁴ emphasise the importance of ethical and responsible behaviour. As evidenced by these policies, Kommuninvest must take both the direct and indirect impact of economic, social, and environmental sustainability into account throughout its business. This includes taking into account the Sustainable Development Goals and offering services and products that meet the needs of members and customers in this regard.

Furthermore, Kommuninvest's instructions are to conduct financially sound and sustainable operations. Kommuninvest shall not participate in violations of human rights or the rights of employees, nor shall it contribute to negative environmental impacts, or accept corruption. Kommuninvest's success depends on the trust of its members, customers, counter parties, investors, employees and authorities.

The Company's compliance function works to monitor and control the Company's compliance with laws and other regulations. The function also provides advice to the Company's Board of Directors, CEO and personnel, as well as providing training in the area to enhance employees' knowledge and vigilance.

³ Kommuninvest Sustainability Policy, September 2023, available at: <https://kommuninvest.se/wp-content/uploads/2023/11/G6P-Sustainability-Policy-2023-09-22.pdf>

⁴ Kommuninvest Code of Conduct, October 2023, available at: <https://kommuninvest.se/wp-content/uploads/2024/02/C1P-Code-of-Conduct-2023-10-27.pdf>

Sustainability work conducted in three dimensions

ENVIRONMENTAL AND CLIMATE WORK

Kommuninvest's green finance programme, launched in 2015, aims to foster the municipal sector's work to reach national, regional and local environmental objectives. The investment projects financed through Kommuninvest's Green Loans promote the transition to a society with lower greenhouse gas (GHG) emissions and which is adapted to a changing climate. Kommuninvest issued its first green bond in 2016 and has since evolved to become the largest Nordic green bond issuer, financing a multitude of green investment projects throughout Sweden.

Kommuninvest has also initiated a Nordic issuer collaboration on impact reporting for green bonds. A joint paper (Nordic Position Paper on Green Bonds Impact Reporting)⁵ has been published and updated since 2017, with guidelines for green bond reporting on allocation and environmental impact. The paper has contributed to further development and harmonization of reporting practices.

SOCIAL SUSTAINABILITY

To promote development towards increased social sustainability in Swedish municipalities and regions, Kommuninvest launched Social Sustainability Loans in 2021. This product makes it possible to finance socially-oriented investments through loans. Social Sustainability Loans can help strengthen local or regional sustainability work, show its benefit and facilitate the development of practices, collaboration and measurement of effects. Eligible Social Projects include public housing in areas with special needs, promoting improved health care, and investments aimed at increasing accessibility and inclusion, among others. The Social Sustainability Loan portfolio is intended to be financed through Social Bonds.

GOVERNANCE/FINANCIAL SUSTAINABILITY

Governance and financial sustainability work enables Kommuninvest's ability to offer cost-efficient and stable financing and ensures that the operations are conducted responsibly, in accordance with applicable laws, regulations and directives. Kommuninvest's governance promotes a sustainable organisation able to meet stakeholder expectations, which is a key focus for the more internally oriented work.



⁵ https://kommuninvest.se/wp-content/uploads/2024/03/NPSI_Position_paper_2024_final.pdf

Sustainability governance

The Head of Sustainability is responsible for managing, developing and reviewing Kommuninvest's sustainability work in close cooperation with the Executive Management Team and the department heads, who are responsible for taking sustainability aspects into account within their respective areas of responsibility. Guidelines for sustainability work are detailed in the Sustainability Policy, adopted by the Company's Board of Directors, and are further specified in supplementary policies and instructions relating to occupational and personal safety, conflicts of interest, IT security, equality and diversity, bribery and hospitality, and regulatory compliance. Sustainability work is reported annually to the Board and is supplemented by reviews on topical themes.

Management of environmental and social risks in lending operations

IDENTIFICATION AND MANAGEMENT OF ENVIRONMENTAL RISKS

Since 2023, Kommuninvest has begun to integrate climate and environment-related risks in the risk assessment process, aiming to identify and define those considerations deemed to have the most significant potential financial impact on Kommuninvest's borrowers. The risk assessment, performed at the borrower level, considers both physical and transition risks as well as credit provision and credit risk management. The work has included prioritising amongst a range of risk factors, as well as identifying key figures and indicators to apply in follow-up and benchmarking. To date, Kommuninvest has deemed that it is most relevant to follow-up and assess risks associated with flooding, rockfalls or landslides caused by increased water levels or torrential rain, as well as operations with major GHG emissions.

CONSIDERATION OF ENVIRONMENTAL IMPACTS OF THE FINANCED PROJECTS

In order to provide a holistic perspective on the environmental impacts that a planned activity may entail, Swedish legislation requires an environmental impact assessment (EIA) to be performed when implementing various projects and activities financed via the Framework, with the results then analysed. According to Swedish law, an EIA is required for all activities that may have a significant impact on the environment. This legal requirement is addressed by Kommuninvest through requesting the Green Loan applicant to disclose whether an EIA has been carried out in relation to the investment project in question, including disclosure on how the main results of the EIA are handled. Where an EIA has not been carried out, the Green Loan applicant shall justify why.

If, in its assessment, Kommuninvest's Committee for Green Financing (the Committee) finds reason to suspect that the investment project, despite fulfilling the Green Loan Eligibility Criteria in relation to at least one or more EU environmental objectives, risks having significant consequences for any of the other objectives, the Committee has the right to request additional information and, after additional review, either approve or reject the application.

IDENTIFICATION AND MANAGEMENT OF SOCIAL RISKS

Work is on-going regarding social risks associated with Kommuninvest's borrowers and Kommuninvest expects to implement a first model version in its credit assessment and monitoring processed during 2024. Similar in scope to the process on environmental and climate factors mentioned above, the model will aim to identify and define those social considerations deemed to have the most significant potential financial impact on Kommuninvest's borrowers.

Kommuninvest's actions are conducted in accordance with relevant legislation, which aligns with the international framework of ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact. These international frameworks are of particular relevance in the context of sustainable finance as recognized by the EU Taxonomy Minimum Safeguards criteria.

The agenda for establishing more sustainable regulation of the financial sector has largely been defined through the EU's Action Plan for Financing Sustainable Growth⁶. Ultimately, it is a matter of how the financial sector can help achieve the Paris Agreement's objective of limiting global warming and supporting the capacity to adapt to the consequences of climate change. Kommuninvest's approach to managing ESG risk is outlined in more detail in its Capital Adequacy and Risk Management Report (Pillar 3), set up with the aim of meeting applicable EU disclosure requirements⁷.

⁶ European Commission (2018), "Action Plan: Financing Sustainable Growth". Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0097>

⁷ Commission Implementing Regulation (EU) 2022/2453

⁸ Kommuninvest Klimatplan (in Swedish only), November 2022, available at: <https://kommuninvest.se/wp-content/uploads/2023/11/Klimatplan-2022.pdf>

Kommuninvest's climate goal

Kommuninvest is to be a tool and support for the municipal and regional sector to reach Sweden's goal of zero net emissions of greenhouse gases into the atmosphere by the year 2045.

To reflect the current transition processes among members, Kommuninvest adopted its own climate objective in 2022: to be a tool and support for enabling the municipal and regional sectors to reach Sweden's 2045 zero net emissions target. The goal is formalized in Kommuninvest's Climate Plan⁸.

While Kommuninvest chose to adopt Sweden's national climate target, several municipalities and regions have more ambitious ones. More than 20 Swedish municipalities cities have established zero net emissions objectives by 2030, and many public housing companies aim to be fossil-free by 2030.

Kommuninvest's climate goal means that the municipal and regional operations financed by Kommuninvest need to have zero net GHG emissions by 2045. To monitor progress in the desired direction, efforts have been initiated to enable the calculation and subsequent follow-up of the financed emissions, including how they relate both to Sweden's long-term and intermediate climate targets. The focus is initially on the lending portfolio as that is the part of the balance sheet with the clearest connection to the GHG emissions that Kommuninvest finances.

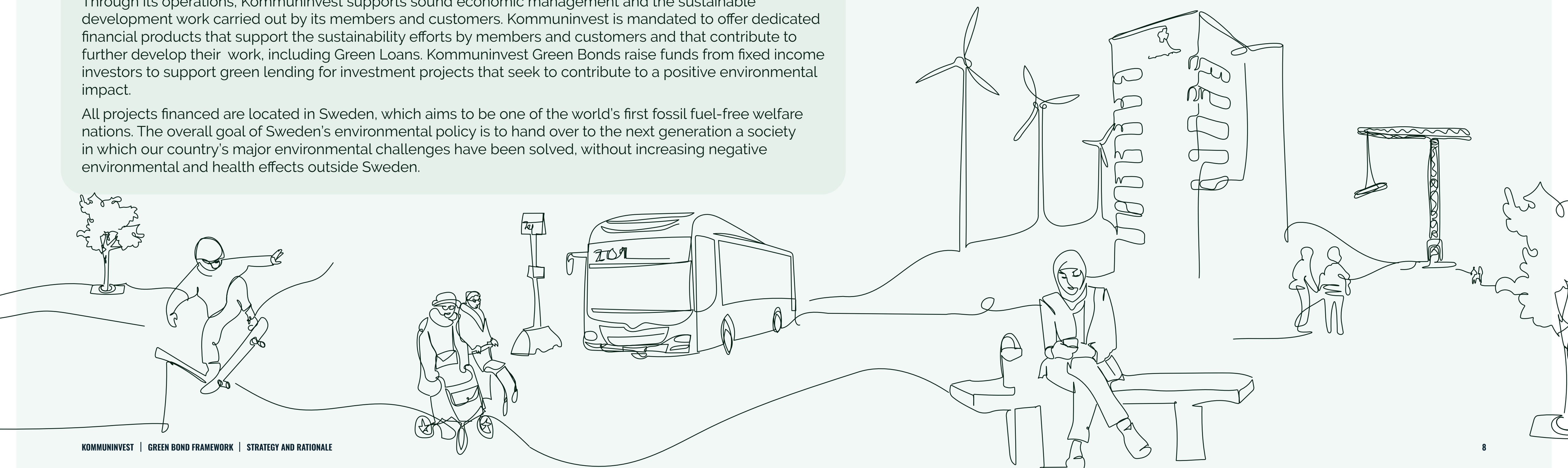
Rationale for Kommuninvest Green Bond Framework

Through their public commitments, the state, regions and municipalities bear considerable responsibility for the development of the Swedish society, the welfare services offered and the national and local government climate actions.

To a large degree, Sweden's efforts are led by the local government sector, which accounts for the majority of public sector investments. More than 90 percent of Sweden's municipalities have set out their own environmental targets or have adopted national or regional goals.

Through its operations, Kommuninvest supports sound economic management and the sustainable development work carried out by its members and customers. Kommuninvest is mandated to offer dedicated financial products that support the sustainability efforts by members and customers and that contribute to further develop their work, including Green Loans. Kommuninvest Green Bonds raise funds from fixed income investors to support green lending for investment projects that seek to contribute to a positive environmental impact.

All projects financed are located in Sweden, which aims to be one of the world's first fossil fuel-free welfare nations. The overall goal of Sweden's environmental policy is to hand over to the next generation a society in which our country's major environmental challenges have been solved, without increasing negative environmental and health effects outside Sweden.



02 The 2024 Framework update

UPDATE OF THE GREEN LOAN CRITERIA

During 2023, Kommuninvest began to gradually review the Green Loan criteria to integrate market and technological developments since Kommuninvest's latest Green Bond Framework (the "Framework"), published in May 2021⁹. The proposed new Green Loan criteria have been subject to feedback by Kommuninvest's owners and partners via a public consultation process in the fourth quarter of 2023. Key considerations and updates to the Framework include:

PRE-CONDITIONS FOR GREEN LOANS

The pre-conditions for Green Loans have been updated. The projects financed with Green Loans shall be part of systematic environmental work performed by the applicant municipality/region and relate to national, regional or local environmental and climate objectives aiming to:

- a. reduce and/or avoid climate impact, including investments in low-carbon, energy-efficient and clean technologies such as renewable energy projects, public transport solutions and energy-efficient buildings with less embedded climate impact,
- b. adapt communities, the built-environment and local government activities to climate change, including investments in solutions to mitigate climate-related risks,
- c. manage environmental issues in areas other than climate change mitigation and climate change adaptation, namely promoting sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

As in the previous version of the Green Loans Project categories, applicants for Green Loans shall describe the main environmental and/or climate benefits of the project, and, wherever feasible, also quantify these with supporting calculation results.

Green Loans will not finance projects that produce fossil energy or that lead to a lock-in of fossil-energy-based infrastructure. Kommuninvest, however, tolerates a limited share of direct fossil content, set at a maximum of 5 percent including peat, for projects involving district heating.

REQUIREMENTS FOR REDUCING THE CLIMATE IMPACT FROM THE USE OF CONCRETE

Many of the investment projects financed by Green Loans include the construction of infrastructure, such as housing, business premises, health facilities and municipal

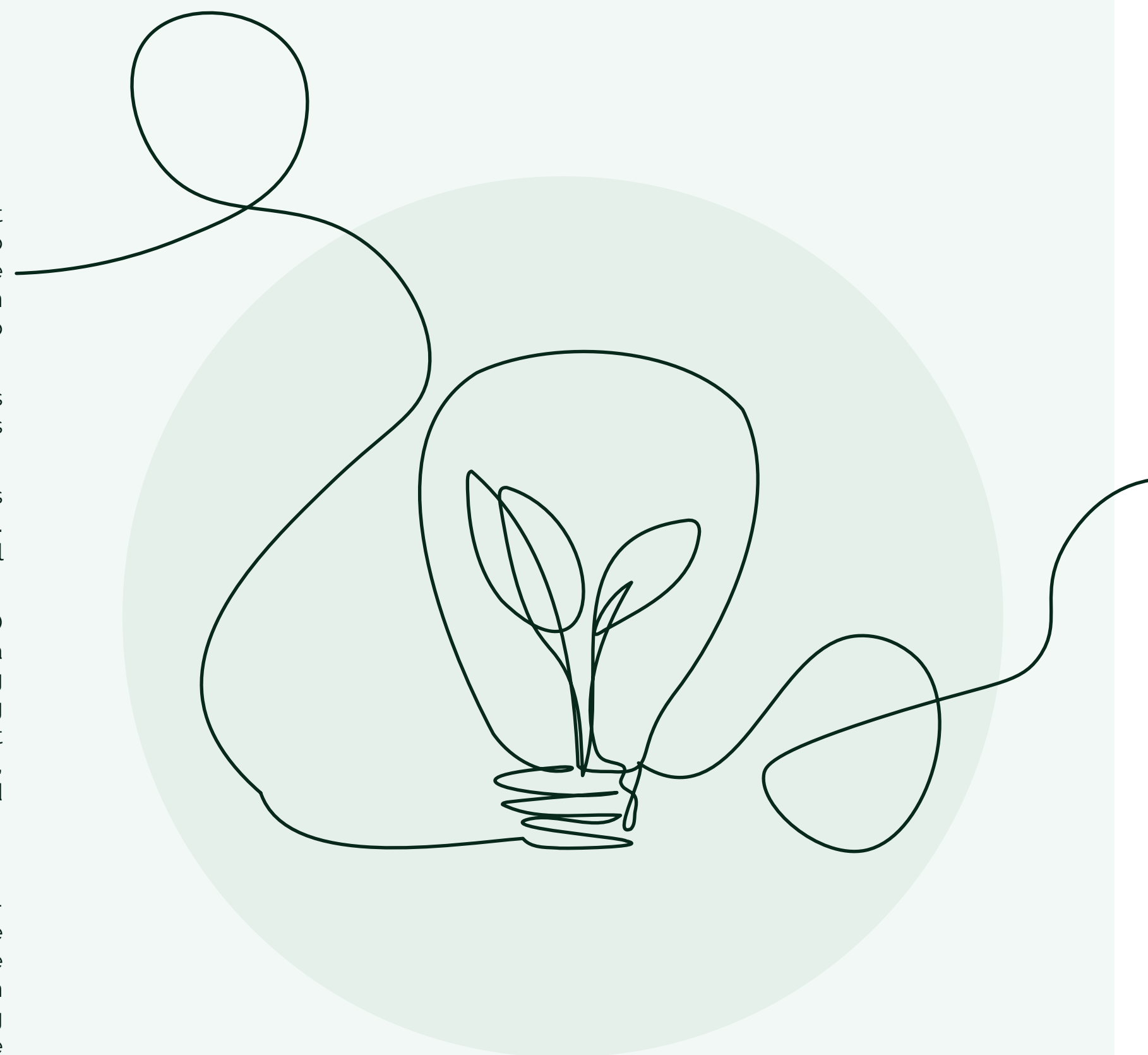
infrastructure. Given the frequent use of concrete in such constructions and the significant carbon emissions associated with concrete, Kommuninvest considers it is important to include overarching requirements to reduce the climate impact from the use of concrete in investment projects financed with Green Loans. When concrete is used, Green Loan applicants must disclose information about any measures implemented in the project to reduce the climate impact of the concrete. Such measures may include:

- a. Resource-efficient design: Resource-efficient and climate-friendly design principles are applied from a life cycle perspective when designing buildings/constructions made of concrete.
- b. The right concrete in the right place: Functional requirements govern which types of concrete or concrete products that are used in the various parts of the project. The result is a differentiation of concrete qualities which correspond to the functional requirements.
- c. Climate-improved concrete: The climate impact of the concrete used is at least 20 percent lower than the current Swedish industry reference level. This means, as a minimum, the use of climate-improved concrete corresponding to level 2 according to guidance from industry association Swedish Concrete (Svensk Betongs Vägledning Klimatförbättrad betong, utgåva 2). Alternatively, the climate impact of the different types of concrete and concrete products used in the project can be weighted together, provided that the climate impact from the total amount of concrete used is reduced by 20 percent.

Exceptions can be made for concrete that is in contact with drinking water.

Regarding construction of new Green Buildings, applicants must demonstrate that life-cycle oriented climate measures are implemented in the project, as a minimum for the frame/concrete base, e.g. by using wood or climate-improved concrete. The climate impact of the concrete used must be at least 20 percent lower than the current Swedish industry reference level. This means the use of climate-improved concrete corresponding to at least level 2 according to guidance from industry association Swedish Concrete (Svensk Betongs Vägledning Klimatförbättrad betong, utgåva 2).

For new Green Buildings, no disclosure requirements as per a) and b) above apply at this stage. For major renovations, general environmental and climate disclosure requirements apply.



⁹ Kommuninvest-Green-Bonds-Framework-May-2021.pdf

VOLUNTARY COMMITMENTS ON ENVIRONMENTAL CERTIFICATION AND PROCUREMENT

To promote systematic work addressing a wide range of environmental and climate issues, Kommuninvest encourages, although does not require, environmental certification of new buildings such as certification from Miljöbyggnad, Svanen and Feby, or alternatively that buildings are constructed in accordance with such systems. As an example, environmental certifications require relevant thresholds for heat loss and heat output.

Kommuninvest also recommends environmental and climate requirements in procurement as a mean to achieve environmental and climate goals. To promote the use of climate requirements and climate calculations in procurement, Kommuninvest has, in collaboration with IVL Swedish Environmental Research Institute and Public Housing Sweden, developed guidance and other support within the framework of the project Klimatkrav till rimlig kostnad¹⁰ (Climate requirements at reasonable cost).

In addition, Kommuninvest encourages public clients to consider the National Agency for Public Procurement's voluntary procurement requirements, relevant for all types of procurement where the Public Procurement Act is applied. The voluntary procurement requirements include areas such as the energy use of the building, climate requirements for materials and construction processes, air density and thermal integrity, but also for example indoor climate, moisture safety, material inventory and waste management. The requirements are quality-assured against the Public Procurement Act, developed in collaboration with industry representatives and academia as well as other expertise.

EU TAXONOMY

The EU Taxonomy¹¹ is a classification system that establishes a list of environmentally sustainable economic activities with the aim of scaling up sustainable investments and implementing the European Green Deal.

To align with the EU Taxonomy, eligible economic activities must make a substantial contribution to at least one of its six environmental objectives: (1) Climate change mitigation; (2) Climate change adaptation; (3) Sustainable use and protection of water and marine resources; (4) Transition to a circular economy; (5) Pollution prevention and control; and (6) Protection and restoration of biodiversity ecosystems. In addition, each activity must comply with the technical screening criteria set out in the Taxonomy delegated acts regarding not harming any of the other environmental objectives (the Do No Significant Harm criteria, DNSH). Eligible activities should also be carried out in compliance with Minimum Safeguards (MS) related to respecting human rights and following good business conduct rules.

Kommuninvest acknowledges the importance of the EU Taxonomy as a common definition of sustainable activities. However, it is vital that the Green Loans offered by Kommuninvest to local governments can finance a wide range of investments, considering local circumstances and Sweden's ambitious local, regional and national climate goals. Kommuninvest aims for projects financed by Green Loans to make a significant contribution to at least one of the EU's six environmental objectives, even if not all investments eligible for Green Loans are currently reflected in the EU Taxonomy. For example, energy efficiency measures within various municipal activities and operations as well as energy recovery from waste, are currently not reflected in the EU Taxonomy.

For those Green Loan categories that are acknowledged by the EU Taxonomy, Kommuninvest has strived to align the Green Loan eligibility criteria with the Substantial Contribution criteria of the EU Taxonomy, to the extent feasible and reasonable. Still, some criteria, for example on waste management recycling rates are less stringent.

Other Green Loan criteria go beyond the applicable EU Taxonomy requirements. For example, more efficient energy use is a prerequisite for Sweden to achieve its environmental goals and create a sustainable energy system. Therefore, the new Green Buildings category stipulates an energy performance that goes beyond the EU Taxonomy requirements.



¹⁰ Klimatkrav till rimlig kostnad

¹¹ EU taxonomy for sustainable activities - European Commission (europa.eu)

03 Use of Proceeds

ALLOCATION OF NET PROCEEDS

An amount equal to the net proceeds from Green Bonds issued by Kommuninvest will finance or refinance, in whole or in part, a Green Portfolio of loans disbursed by Kommuninvest that are in accordance with the Green Loan categories defined in this Framework ("Green Loans"). All Green Loans will finance Eligible Green Projects in Sweden. The overarching goal of the Green Loans is to promote the transition towards low-carbon and resource-efficient growth.

The net proceeds from Green Bonds issued by Kommuninvest are primarily intended to be allocated to Green Loans financing the Eligible Green Project categories listed below. Kommuninvest may however choose to allocate proceeds from Green Bonds issuance to a specific subset of Green Loan categories or Eligible Green Projects, allowing Kommuninvest to frame a specific theme of impact for a specific Green Bond issuance.

FINANCING AND REFINANCING

Kommuninvest allows for new financing and refinancing of Green Loans. New financing is defined as the committed volume of new Green Loans included in the Green Portfolio during the reporting year. Refinancing is defined as the committed volume of Green Loans included in the Green Portfolio before the reporting year. The distribution between financing and refinancing will be reported on in Kommuninvest's Green Bond Report.

FINANCING LOCAL GOVERNMENT CAPITAL EXPENDITURES

In Sweden, the law stipulates that local governments can only borrow for investments. Kommuninvest deems such investments to be capital expenditures. Kommuninvest considers no look-back period for capital expenditures.

GREEN LOAN PRE-CONDITIONS AND EXCLUSIONS

- Projects shall be part of the applicant's systematic environmental work.
- Projects shall address either climate change mitigation, climate change adaptation or any of the other four EU environmental objectives.
- Applicants shall describe the main environmental and/or climate benefits of the project, and, wherever feasible, quantify these.
- Projects that include concrete as part of the construction are subject to additional disclosure requirements, except for the Green Buildings category where tailored eligibility criteria apply for new construction and renovations, respectively.
- Kommuninvest does not allow Green Loan financing of projects dedicated to the transport or storage of fossil fuels. Nor will Green Loans be allocated to projects for which the purpose is fossil energy production or that lead to a lock-in of fossil energy-based infrastructure. However, a limited share of direct fossil content, set at a maximum of 5 percent including peat, is tolerated for projects involving district heating



04 Green Loan categories

Renewable energy



ICMA GBP CATEGORY

Renewable energy

EU TAXONOMY OBJECTIVE

Climate Change Mitigation

KOMMUNINVEST GREEN LOAN CATEGORY

Renewable energy

Eligibility Criteria

SOLAR POWER

Eligible EU Taxonomy category: 4.1 "Electricity generation using solar photovoltaic technology"

- Facilities that produce electricity using solar photovoltaic (PV) technology.

WIND POWER

Eligible EU Taxonomy category: 4.3 "Electricity generation from wind power"

- Facilities that produce electricity from wind power.

HYDROPOWER

Eligible EU Taxonomy category: 4.5 "Electricity generation from hydropower"

New or existing facilities that have a permit consistent with the Swedish Environmental Code that entered into force on 1 January 2019¹² and which comply with either of the following criteria:

- the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or
- the power density of the electricity generation facility is above 5 W/m²; or
- the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh.

BIOENERGY

Eligible EU Taxonomy categories: 4.8. "Electricity generation from bioenergy", 4.13. "Manufacture of biogas and biofuels for use in transport and of bioliquids", 4.20. "Cogeneration of heat/cool and power from bioenergy", 4.24. "Production of heat/cool from bioenergy", 5.6. "Anaerobic digestion of sewage sludge" and 5.7. "Anaerobic digestion of bio-waste"

- Facilities that produce heat/cool, power, or co-generate heat/cool and power exclusively¹³ from biomass, biogas or bioliquids.

- Facilities that manufacture biogas and biofuels for use in transport and of bioliquids.

Inputs are sustainably sourced biomaterials that are in compliance with the EU Renewable Energy Directive (RED) and its requirements on GHG emission reductions¹⁴.

- Facilities dedicated to the treatment of sewage sludge by anaerobic digestion with the resulting production and utilisation of biogas or chemicals.
- Facilities dedicated to the treatment of separately collected bio-waste through anaerobic digestion with the resulting production and utilisation of biogas, digestate and/or chemicals.
 - The produced digestate is used as fertiliser or soil improver, either directly or after composting or any other treatment.
 - The share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock.

For production of biogas, a monitoring and contingency plan is in place in order to minimise methane leakage at the facility.

¹² Swedish Environmental Code, chapter 11 (Water operations), section 27-28 (Modern environmental considerations)

¹³ Some fossil oil may be needed for start-up and shut-down processes

¹⁴ A sustainability statement is required from the Energy Agency if the total plant output is greater than 20 MW. From 1 January 2025, plants covered by the RED III will need a sustainability statement if plant output is greater than 75 MW. Calculation of the total output is made according to the Swedish Act (2010:598) on sustainability criteria for biofuels. Units that are used for a maximum of 500 hours per year, calculated as a rolling average over a three-year period, are excluded from the calculation

Energy efficiency



ICMA GBP CATEGORY

Energy efficiency

EU TAXONOMY OBJECTIVE

Climate Change Mitigation

KOMMUNINVEST GREEN LOAN CATEGORY

Energy efficiency

Eligibility Criteria

General requirement: Green Loan applications shall include disclosures regarding the energy savings from the project, e.g. the energy consumption before and after the project.

WASTE HEAT

Eligible EU Taxonomy category: 4.25. "Production of heat/cool using waste heat"

- Facilities that produce heat/cool using waste heat, such as waste heat from district cooling, data centres, sea/lake water and treated wastewater¹⁵.

TRANSMISSION AND DISTRIBUTION OF ELECTRICITY

Eligible EU Taxonomy category: 4.9 "Transmission and distribution of electricity"

- Transmission and distribution infrastructure in the Swedish electricity system¹⁶.

TRANSMISSION AND DISTRIBUTION NETWORKS FOR BIOGAS

Eligible EU Taxonomy category 4.14. "Transmission and distribution networks for renewable and low-carbon gases"

- Biogas transmission and distribution pipelines.

The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.

EFFICIENT DISTRICT HEATING AND COOLING NETWORK

Eligible EU Taxonomy categories: 4.15. "District heating/cooling distribution" and "4.16. Installation and operation of electric heat pumps"

New or existing facilities which comply with either of the criteria:

- Construction, operation and refurbishment of district heating/cooling distribution, including pipelines and associated infrastructure that complies with the EU Energy Efficiency Directive¹⁷.
- System modifications to lower temperature regimes or advanced pilot systems (such

as control and energy management systems and Internet of Things).

- Installation and operation of electric heat pumps that meet the refrigerant threshold (GWP) of 675

ENERGY STORAGE

Eligible EU Taxonomy categories: 4.10 "Storage of electricity" and 4.11 "Storage of thermal energy"

- Facilities that store electricity and return it at a later time in the form of electricity. The activity may include pumped hydropower storage.
- Facilities that store thermal energy and return it at a later time in the form of thermal energy or other energy vectors.
- Facilities that store renewable energy sources, such as biogas or electrofuels¹⁸.

HYDROGEN

Eligible EU Taxonomy category: 3.10 "Manufacture of Hydrogen", 4.12. "Storage of hydrogen" and 4.14. "Transmission and distribution networks for renewable and low-carbon gases"

- Facilities that produce hydrogen with renewable sources or energy sources which meet life-cycle GHG emissions savings requirements of 73.4 % resulting in life-cycle GHG emissions lower than 3tCO₂e/tH₂.
- Hydrogen storage facilities.
- Hydrogen transmission and distribution pipelines.

ENERGY EFFICIENCY MEASURES IN LOCAL GOVERNMENT REGIME

Energy efficiency investments within various municipal activities and operations, such as outdoor lighting and traffic lights.

¹⁵ Green Loans will not finance projects where waste heat is recovered from fossil energy production or from fossil-intensive industrial activity that lack a plan for transitioning to a low-carbon economy.

¹⁶ In 2022, the GHG emissions intensity of electricity generation in Sweden was 7 g CO₂e/KWh (source: Greenhouse gas emission intensity of electricity generation — European Environment Agency (europa.eu). In 2023, Swedish electricity mix was 71% renewable and 28% nuclear (Source: Statistics Sweden?).

¹⁷ Compliance implies that the system uses at least 50% renewable energy or 50% waste heat or 50% of a combination of such energy and heat.

¹⁸ The electricity used for producing the electrofuel is deemed as renewable according to the delegated act (EU) 2023/1194, applicable to the EU Renewable Energy Directive.

Waste management, pollution prevention and control, control of GHG emissions



ICMA GBP CATEGORY

Waste management, pollution prevention and control, control of GHG emissions

EU TAXONOMY OBJECTIVE

Climate Change Mitigation, Circular Economy and Pollution Prevention and Control

KOMMUNINVEST GREEN LOAN CATEGORY

Waste management, pollution prevention and control, control of GHG emissions

¹⁹ A sustainability statement is required from the Energy Agency if the total plant output is greater than 20 MW. From 1 January 2025, plants covered by the RED III will need a sustainability statement if plant output is greater than 7.5 MW. Calculation of the total output is made according to the Swedish Act (2010:598) on sustainability criteria for biofuels. Units that are used for a maximum of 500 hours per year, calculated as a rolling average over a three-year period, are excluded from the calculation.

²⁰ If related to GHG emissions from incineration of waste, the waste must be sorted. E.g. through source sorting, pre-sorting at an industrial facility, or in own operations.

²¹ Necessary risk mitigation measures are those identified through an appropriate assessment to ensure that the project, plan or activity will not have any significant effects on the conservation objectives of the protected area.

Eligibility Criteria

COLLECTION AND TRANSPORT OF WASTE AND MATERIAL TREATMENT AND RECOVERY

Eligible EU Taxonomy categories: 5.5. "Collection and transport of non-hazardous waste in source segregated fractions", 5.9. "Material recovery from non-hazardous waste" and Circular economy and Circular economy 2.3. "Collection and transport of non-hazardous and hazardous waste", 2.4. "Treatment of hazardous waste" 2.6. "Depollution and dismantling of end-of-life products" and 2.7. "Sorting and material recovery of non-hazardous waste"

- Separate collection and transport of non-hazardous waste in single or commingled fractions, or hazardous waste, with the aim of preparing it for re-use or recycling, including facilities involved in the collection and transport of such waste, such as civic amenity centres and waste transfer stations, as a means for material recovery.
- Facilities for the sorting and processing of separately collected non-hazardous waste streams into secondary raw materials, including critical raw materials suitable for the substitution of primary raw materials in production processes. The activity may involve mechanical reprocessing.
- Facilities dedicated for the treatment of hazardous waste (including chemical substances and critical raw materials) as a means for material recovery operations.

All collected non-hazardous waste, sorted at source, is intended to be prepared for reuse or recycling.

- Residual waste, i.e. non-hazardous waste that cannot be reused or recycled in any other way than by incineration, must be quality assured, complying with the agreement between the industry bodies Swedish Waste Management and Swedenergy, concerning quality assurance of waste fuels.
- The estimated climate benefit that follows from the change (e.g. changed recycling rate, changing climate impact from transport, more energy-efficient plant) must be calculated.
- Recovery rate of the treated waste before and after investment shall be reported.
- Facilities that treat the hazardous waste must hold a valid environmental permit for each waste fraction.

COMPOSTING OF BIO-WASTE

Eligible EU Taxonomy category: 5.8. "Composting of bio-waste"

- Facilities dedicated for the treatment of separately collected bio-waste through composting (aerobic digestion) with the resulting production and utilisation of compost.

WASTE-TO-ENERGY

- Facilities that include waste incineration to produce heat/cool and power, that follows a waste hierarchy to ensure that as much of the waste as possible is reused and recycled before being converted to energy. The waste must be sorted, e.g. through source sorting, pre-sorting at an industrial facility, or in own operations. Only residual waste that cannot be

reused or recycled can be incinerated. Hazardous waste may be treated at the facility subject to specific environmental permits and advanced treatment techniques, such facilities have stringent requirements for emissions to air, water and soil. The facility can use a mix of waste, waste heat and biomass, biogas or bioliquids (based on sustainably sourced biomaterials that are in compliance with the RED and its requirements on GHG emission reductions¹⁹).

If fossil waste fractions are used, the plant must take measures to reduce the proportion of plastics of fossil origin, in accordance with the agreement between the industry bodies Swedish Waste Management and Swedenergy, regarding quality assurance of waste fuels. Direct fossil input (including peat) is limited to 5 per cent of total input.

CARBON CAPTURE AND STORAGE

Investment projects primarily expected for carbon capture of biogenic emissions in district heating plants. Certain facilities may include carbon capture of emissions from waste incineration. Financing will not be provided for fossil intensive operations.

- **Carbon Capture** Carbon Capture leading to, at least, 50 per cent reduction of GHG emissions from the associated plant or facility²⁰.
- **Carbon capture and utilisation (CCU)** CCU facilities processing separated carbon dioxide into new secondary raw material, creating sustainable carbon cycles and lead to a reduction of CO₂ emissions compared to an alternative scenario. The estimated climate benefit must be calculated.
- **Carbon storage** *Eligible EU Taxonomy category: 5.12. "Underground permanent geological storage of CO₂"* Permanent storage of captured CO₂ in appropriate underground geological formations that comply with both of the following criteria: (i) meeting the relevant EU directives related to assessment, exploration and operation of storage sites and surrounding area and (ii) appropriate leakage detective systems are implemented and a monitoring plan is in place

REMEDICATION OF CONTAMINATED SITES AND AREAS

Eligible EU Taxonomy categories: Pollution prevention and control 2.3. "Remediation of legally non-conforming landfills and abandoned or illegal waste dumps" and 2.4. "Remediation of contaminated sites and areas"

- Remediation of landfills and contaminated areas, including disposal of illegally deposited waste.

An examination of the need for an environmental impact assessment is required, and, if deemed necessary, the assessment has been carried out.

Green Loan applicants shall provide information on the planned or implemented necessary risk mitigation measures²¹ for sites/projects in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas).

Green buildings



ICMA GBP CATEGORY

Green and energy efficient buildings

EU TAXONOMY OBJECTIVE

Climate Change Mitigation

KOMMUNINVEST GREEN LOAN CATEGORY

Green buildings

Eligibility Criteria

NEW BUILDINGS²²

Eligible EU Taxonomy category: 7.1. "Construction of new buildings"

- New residential buildings and premises that have or will have a primary energy demand that is at least 20 per cent lower than the Swedish Building regulation (BBR29)²³.

Life-cycle oriented climate measures are implemented in the project, as a minimum for the frame/concrete base, for example, by using wood or climate-improved concrete²⁴.

Buildings larger than 5,000 m² (Atemp) must undergo testing for airtightness and thermal integrity.

For new buildings the life-cycle Global Warming Potential (GWP) is calculated for the construction stage of the life cycle (LCA-module A1-A5)²⁵.

EXISTING BUILDINGS²⁶

Eligible EU Taxonomy category: 7.7. "Acquisition and ownership of buildings"

- Buildings that have a primary energy demand at least 20 per cent lower than the Swedish Building Regulation for new construction (BBR29).

MAJOR RENOVATIONS

Eligible EU Taxonomy category: 7.2. "Renovation of existing buildings"

Major renovations complying with one of the following criterion's:

- The building renovation leads to a reduction in energy use of at least 30% compared to the pre-investment situation, or
- The building renovation meets the energy performance requirements of the Swedish Building Regulation for new construction (BBR29).

Green Loans applicants shall provide information on which environmental and climate measures are implemented in the project, whether the climate impact from construction has been calculated and if/how such a calculation is taken into account in the procurement.

BUILDING ENERGY EFFICIENCY

Eligible EU Taxonomy categories: 7.3. "Installation, maintenance and repair of energy efficiency equipment", 7.5. "Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings" and 7.6. "Installation, maintenance and repair of renewable energy technologies"

Individual renovation measures consisting in installation, maintenance or repair of energy efficiency equipment. Where applicable, rated in the two highest classes of energy efficiency.

Energy-efficient envelope components, such as:

- addition of insulation, including measures to ensure airtightness and to reduce the effects of thermal bridges,

- energy efficient windows and doors

Energy-efficient equipment in buildings, such as:

- energy efficient light sources,

- heating, air-conditioning (HVAC), water heating systems and energy recovery,

- low water and energy using kitchen and sanitary water fittings. In the case of shower solutions, mixer showers, shower outlets and taps with a maximum water flow of 6 L/min or belonging to the two highest classes of energy efficiency under the voluntary Swedish labelling system for such products²⁷,

- electric heat pumps that meet the refrigerant threshold (GWP) of 675,

- connection to and equipment for district heating or district cooling

Instruments and devices for measuring, regulation and controlling energy performance of buildings, such as:

- zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control,

- building automation and control systems, ventilation, building energy management systems and lighting control. Including power control and power limiting equipment, for e.g. control of charging infrastructure and battery storage for power equalization.

- smart meters for electricity, district heating, gas and cooling,

- façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.

- facade and roof elements with shading or solar control, including those that support vegetation build-up.

²² Building application filed after 31 December 2020.

²³ In Sweden the NZEB is equivalent to the level required for new construction by the Swedish Building Regulation.

²⁴ Criteria applicable to projects with production start after 1 January 2022. The climate impact of the concrete used is at least 20 percent lower than the current Swedish industry reference level. This means, as a minimum, the use of climate-improved concrete corresponding to level 2 according to guidance from industry association Swedish Concrete (Svensk Betongs Vägledning Klimatförbättrad betong, utgåva 2).

²⁵ Effective 2022, Swedish law requires a climate declaration covering climate impact of the construction phase, to be completed after the construction phase: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/lag-2021787-om-klimatdeklaration-for-byggnader_sfs-2021-787/.

²⁶ Building application filed up until 31 December 2020.

²⁷ Energy classification and labelling based on testing according to Swedish standards developed by the SIS Swedish Standards Institute Technical Committee "Energy labelling of tap water fittings SIS/TK 519".

Clean transportation



ICMA GBP CATEGORY

Clean transportation

EU TAXONOMY OBJECTIVE

Climate change mitigation

KOMMUNINVEST GREEN LOAN CATEGORY

Clean transportation

Eligibility Criteria

ROAD, RAIL AND WATER TRANSPORT, INCLUDING MACHINERY

Eligible EU Taxonomy categories: 6.1. "Passenger interurban rail transport"; 6.2. "Freight rail transport"; 6.3. "Urban and suburban transport, road passenger transport"; 6.6. "Freight transport services by road"; 6.7. "Inland passenger water transport"; 6.8. "Inland freight water transport"; 6.10. "Sea and coastal freight water transport, vessels for port operations and auxiliary activities" and 6.11. "Sea and coastal passenger water transport"

- Vehicles such as trains, passenger coaches, wagons, buses, cars, trucks, vessels and working machines such as cranes, tractors and excavators must be fully electric or alternatively powered by electrofuels²⁸, hydrogen or biogas. Passenger transport by rail can include regional and local trains, subways and trams.

If infrastructure for electrified transport is lacking, solutions using biofuels can be accepted, provided that their use means that GHG emissions are reduced by at least 65% compared to the use of fossil fuels. Projects may include urban, suburban and rural transportation.

INFRASTRUCTURE, PERSONAL MOBILITY

Eligible EU Taxonomy category: 6.13. "Infrastructure for personal mobility, cycle logistics"

- Infrastructure dedicated to personal mobility or cycle logistics: pavements, bike lanes and pedestrian zones, electrical charging and hydrogen refuelling installations for personal mobility devices.

INFRASTRUCTURE, RAIL TRANSPORT

Eligible EU Taxonomy category: 6.14. "Infrastructure for rail transport"

Railway and subway infrastructure, including associated subsystems such as bridges and tunnels, stations, terminals, rail service facilities, signalling systems, safety and traffic management. Investment projects that meet one of these criteria:

- Trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or where the infrastructure will be fit for use by zero tailpipe CO₂ emission trains.
- Infrastructure must either be fully electrified or covered by an electrification plan, or where the infrastructure will be fit for use by zero tailpipe CO₂ emission trains.

- Infrastructure intended for the transshipment of goods between modes of transport or for the transfer of passengers from railway to railway or from other modes of transport to railway.

INFRASTRUCTURE, LOW-CARBON ROAD TRANSPORT AND PUBLIC TRANSPORT

Eligible EU Taxonomy category: 6.15. "Infrastructure enabling low-carbon road transport and public transport"

- Infrastructure dedicated to the operation of vehicles with zero tailpipe CO₂ emissions: electric charging points, electricity grid connection upgrades, hydrogen fuelling stations or electric road systems.
- Infrastructure dedicated to transshipping freight between the modes, such as terminal infrastructure and superstructures for loading, unloading and transshipment of goods.
- Infrastructure dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems.

INFRASTRUCTURE, WATER TRANSPORT

Eligible EU Taxonomy category: 6.16. "Infrastructure enabling low carbon water transport"

Infrastructure that is required for zero tailpipe CO₂ operation of vessels or the port's own operations, as well as infrastructure dedicated to transshipment.

- Infrastructure dedicated to the operation of vessels with zero direct (tailpipe) CO₂ emissions: electricity charging, hydrogen-based refuelling, alternatively fuelled by biogas or electro fuels.
- Infrastructure dedicated to the provision of shore-side electrical power to vessels at berth.
- Infrastructure dedicated to the performance of the port's own operations with zero direct (tailpipe) CO₂ emissions.
- Infrastructure dedicated to transshipping freight between the modes, such as terminal infrastructure and superstructures for loading, unloading and transshipment of goods.

²⁸ The electricity used for producing the electrofuel is deemed as renewable according to the delegated act (EU) 2023/1194, applicable to the EU Renewable Energy Directive.

Sustainable water and wastewater management



ICMA GBP CATEGORY

Sustainable water and wastewater management

EU TAXONOMY OBJECTIVE

Climate Change Mitigation, Climate Adaptation and Sustainable use and protection of water and marine resources

KOMMUNINVEST GREEN LOAN CATEGORY

Sustainable water and wastewater management

Eligibility Criteria

DRINKING WATER

Eligible EU Taxonomy categories: 5.1. "Construction, extension and operation of water collection, treatment and supply systems" and 5.2. "Renewal of water collection, treatment and supply systems" and Sustainable use and protection of water and marine resources 1.1. "Manufacture, installation and associated services for leakage control technologies enabling leakage reduction and prevention in water supply systems" and 2.1. "Water supply"

Option 1 – sustainable use and protection of water and marine resources²⁹

Investment projects that fulfil both criteria:

- The water sources have obtained the necessary permits for water abstraction and must, if deemed necessary, be protected by established water protection areas (as determined by the Havs- och vattenmyndighetens vägledning³⁰).
- The leakage level for the part of the water supply system covered by the investment is equal to or lower than the threshold ILI value 2.0³¹ for financing of an existing water supply system, or equal to or lower than the threshold ILI value 1.5³² for new water supply systems or expansions to the existing water supply system. Alternatively, for renewal of existing water supply systems: the investment closes the gap by at least 20% between the current leakage level averaged over three years and an ILI of 1.5.

Option 2 – climate change mitigation

Investment projects shall fulfil criteria depending on the type of investment:

Construction, extension, operation of water systems that complies with one of the following criteria:

- The net average energy consumption for abstraction and treatment equals to or is lower than 0.5 kWh/m³ produced water supply, or
- The leakage level of the water supply system section covered by the investment is equal to or lower than 1.5³³.

Renewal of water systems that complies with one of the following criteria:

- The net average energy consumption is decreased by at least 20% compared to own baseline performance averaged for three years³⁴, or
- The investment closes the gap by at least 20% between the current leakage level averaged over three years and an ILI of 1.5.

WASTE WATER COLLECTION AND TREATMENT

Eligible EU Taxonomy categories: 5.3. "Construction, extension and operation of waste water collection and treatment" and 5.4. "Renewal of waste water collection and treatment" and Protection of water and marine resources 2.2. "Urban Waste Water Treatment"

Option 1 – sustainable use and protection of water and marine resources³⁵

Investment projects that fulfil both criteria:

- The sewage management system has a pipeline network and well-adapted treatment

processes so that the treatment plant meets the emission requirements in accordance with its environmental permit.

- Where the waste water treatment plant has a capacity of 100 000 p.e. or more, or of a daily inflow of a seven-day biochemical oxygen demand (BOD7) load of more than 7 tons, it uses a sludge treatment such as anaerobic digestion or a technology with the same or a lower net energy demand (considering both energy generation and consumption), to stabilise the sludge.

Option 2 – climate change mitigation

Investment projects shall fulfil criteria depending on the type of investment:

Construction, extension, operation of waste water systems

- The net energy consumption³⁶ of the waste water treatment plant equals to or is lower than:
 - 35 kWh per population equivalent (p.e.) per annum for treatment plant capacity below 10 000 p.e.
 - 25 kWh per p.e. per annum for treatment plant capacity between 10 000 and 100 000 p.e.
 - 20 kWh per p.e. per annum for treatment plant capacity above 100 000 p.e.

Renewal of waste water systems

- The renewal of the waste water system leads to improved energy efficiency by decreasing the average net energy consumption by 20% compared to own baseline performance averaged over three years.

BIOGAS PRODUCTION

Eligible EU Taxonomy categories: 5.6. "Anaerobic digestion of sewage sludge"

- Water and wastewater related investment projects that also involve production of biogas shall meet the eligibility criteria as per the Bioenergy eligibility criteria under Renewable energy.

STORM WATER

Eligible EU Taxonomy category: Protection of water and marine resources 2.2. "Urban Waste Water Treatment"

- The investment project, including associated subsystems, shall refer to the diversion, delay and/or purification of storm water.

DESALINATION

Eligible EU Taxonomy category: Climate adaptation 5.13. "Desalination"

Desalination facilities and equipment requires a climate risk and vulnerability analysis.

- The energy use for the entire desalination process (including side treatments, pumping and removal of brine) does not exceed 4 kWh per m³ of fresh water produced.

²⁹ Project eligibility to be determined through assessment vs. either water management or climate change mitigation criteria.

³⁰ Swedish Agency for Marine and Water Management.

³¹ Calculated using the Infrastructure Leakage Index (ILI) rating method or other adequate calculation method.

³² Calculated using the Infrastructure Leakage Index (ILI) rating method or other adequate calculation method.

³³ Infrastructure Leakage Index (ILI) or other adequate calculation method.

³⁴ The net energy consumption calculation can take into account energy production within the system such as biogas, water, solar, thermal and wind energy.

³⁵ Project eligibility to be determined through assessment vs. either water management or climate change mitigation criteria.

³⁶ The net energy consumption calculation can take into account energy production within the system such as biogas, water, solar, thermal and wind energy.

Climate change adaptation



ICMA GBP CATEGORY

Climate change adaptation

EU TAXONOMY OBJECTIVE

Climate Change Adaptation, Protection of water and marine resources

KOMMUNINVEST GREEN LOAN CATEGORY

Climate change adaptation

Eligibility Criteria

ADAPTATION MEASURES

Eligible EU Taxonomy category Climate change adaptation and 14.2. "Flood risk prevention and protection infrastructure of water and marine resources" and Protection of water and marine resources 3.1. "Nature-based solutions for flood and drought risk prevention and protection"

- The investment must consist of physical or nature-based adaptation solutions to reduce climate-related risks in e.g. the built environment, infrastructure or sensitive environments.

Climate-related adaptation investments require a climate risk and vulnerability analysis.

Biodiversity



ICMA GBP CATEGORY

Terrestrial and aquatic biodiversity

EU TAXONOMY OBJECTIVE

Protection and restoration of biodiversity and ecosystems

KOMMUNINVEST GREEN LOAN CATEGORY

Biodiversity

Eligibility Criteria

BIOLOGICAL DIVERSITY AND HEALTHY ECOSYSTEMS

Eligible EU Taxonomy category Protection and restoration of biodiversity and ecosystems

1.1. "Conservation, including restoration, of habitats, ecosystems and species"

- Creation and conservation activities, including restoration activities, aimed at maintaining or improving the status and trends of terrestrial, freshwater and marine habitats, ecosystems and populations of related fauna and flora species.

An examination of the need for an environmental impact assessment is required, and as deemed necessary the assessment has been carried out.

Green Loan applicants shall provide information on the planned or implemented necessary risk mitigation measures³⁷ for sites/projects in or near areas biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas.)

³⁷ Necessary risk mitigation measures are those identified through an appropriate assessment to ensure that the project, plan or activity will not have any significant effects on the conservation objectives of the protected area.

05 Process for Project Evaluation and Selection

Sustainability is integrated throughout Kommuninvest's operations and is reflected in our vision, strategy, goal formulation and the decisions we take. More information on how Kommuninvest identifies and manages perceived ESG risks related to Green Loans applicants can be found in the Introduction, under "Management of ESG risk in lending operations".

Green Loans financed or refinanced with the proceeds of Green Bonds will be evaluated and selected based on the Green Loan Eligibility Criteria. Subject to decision by Kommuninvest's Committee for Green Financing (the Committee), Green Loan applications are marked as approved Green Loans in the Green Register.

The Committee shall have at least three external members, consisting of representatives from at least two member municipalities/regions as well as other relevant organizations in the public sector and/or academia, and in addition representatives from Kommuninvest's management, sustainability function and lending department. Kommuninvest appoints and dismisses members of the Committee.

The responsibilities of the Committee include:

- Review and approve or reject Green Loan applications³⁸
- Assist Kommuninvest's members with expertise and advice in the ongoing work of Green Loans, for example, with method recommendations, method development and impact reporting.
- Review and approve the recurring impact reporting from Eligible Green Projects, which forms the basis for the Green Bond Report.
- Decide on any disqualification of previously approved Eligible Green Projects. If the

financed Eligible Green Project no longer meets its Green Loan Eligibility Criteria, or for other reasons loses its eligibility, it is marked for investigation in the Green Register and the associated Green Loans are disqualified for financing with Green Bonds, pending investigation and rectification by the client. If no rectification is expected or undertaken, the loan loses its green label and the allocated Green Bond net proceeds will follow the procedure under Management of Proceeds until reallocated to another Green Loan.

- As deemed relevant, to submit proposals to the board of Kommuninvest i Sverige AB regarding changes to the Green Loan Eligibility Criteria.

The process to evaluate, select, include and monitor Green Loans in the Green Portfolio comprises the following steps:

1. Environmental functions at Kommuninvest's members identify and verify projects against the Green Loan Eligibility Criteria.
2. Finance departments of Kommuninvest's members select and send a completed Green Loan application form, including appropriate disclosures, to Kommuninvest for appraisal.
3. The Committee reviews the Green Loan applications. If the Green Loan application is approved by the Committee, the Eligible Green Project including any subsequent Green Loan(s) is included in the Green Portfolio as an approved Green Loan. The approval requires a Committee consensus decision and the presence of at least three external members.
4. Continued Green Loan eligibility is evaluated at least annually over the lifetime of the loan.

³⁸ Regarding Green Loan Eligibility Criteria. Other aspects, including the credit decision, follows Kommuninvest's usual processes and internal instructions.



06 Management of Proceeds

TRACKING OF GREEN BOND NET PROCEEDS

The net proceeds from Green Bonds issued by Kommuninvest will be managed according to a portfolio approach.

Kommuninvest uses a Green Register to track the allocation of net proceeds from Green Bonds to Green Loans. The purpose of the Green Register is to ensure that net proceeds from Green Bonds only support the financing and/or refinancing of Green Loans. The Green Register will form the basis for the impact and allocation reporting.

For conservative purposes, and in accordance with Kommuninvest's internal instructions, Kommuninvest manages the total net proceeds from Green Bonds issuance with the ambition that the total volume of disbursed Green Loans always exceeds the total volume of Green Bonds outstanding.

TEMPORARY HOLDINGS

If total Green Bond net proceeds exceed the total Green Loan disbursements, Kommuninvest will temporarily place funds in the liquidity reserve, and manage them according to internal instructions. Kommuninvest will strive to ensure that the volume of disbursed Green Loans exceeds the net proceeds from Green Bonds within 12 months of issuance.

Temporary holdings will not be allocated to projects for which the purpose is fossil energy production or that lead to a lock-in of fossil energy-based infrastructure.



07 Reporting

To enable the monitoring of performance and provide insight into prioritised areas, Kommuninvest will annually, until full allocation and in the event of any material developments, provide investors with a report describing the allocation of the Green Bonds net proceeds and the environmental impact of the Green Loans (the Green Bond Report).

ALLOCATION REPORTING

The allocation report will include the following information.

- A summary of the portfolio of Green Loans, including allocated amount and the distribution between Green Loan Categories,
- A list of Green Loans financed during the reporting year, including a brief project description and expected impact,
- A selection of project examples,
- The nominal amount of Green Bonds outstanding,
- A summary of the development of Kommuninvest's Green Bonds programme, including information on the share of Green Loans out of Kommuninvest's total lending (so-called Green Loan Ratio) and information on the share of outstanding Green Bonds of Kommuninvest's total borrowing (so-called Green Bond Ratio),

- Relative share of new Financing versus Refinancing, and
- The amount of temporary holdings of Green Bond net proceeds awaiting allocation (if any).

IMPACT REPORTING

The impact reporting aims to disclose the expected environmental impact of the Green Loans financed under this Framework, based on Kommuninvest's financed share of each project. The report will, to the extent feasible, also contain relevant descriptions of methodology, baselines and assumptions used in the impact calculations.

Kommuninvest will, to the extent possible, comply with the reporting principles stated in the "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting". As applicable, Kommuninvest will include information on the estimated reduced/avoided CO2e emissions related to the Eligible Green Projects financed with Green Loans, including, where feasible, actual impact information on reduced/avoided emissions including, where feasible, emissions related to the construction phase of new buildings and renovations. Other impact matrices such as reductions in chemicals use in water treatment and increased biodiversity may also be reported on.

08 External Review

SECOND-PARTY OPINION

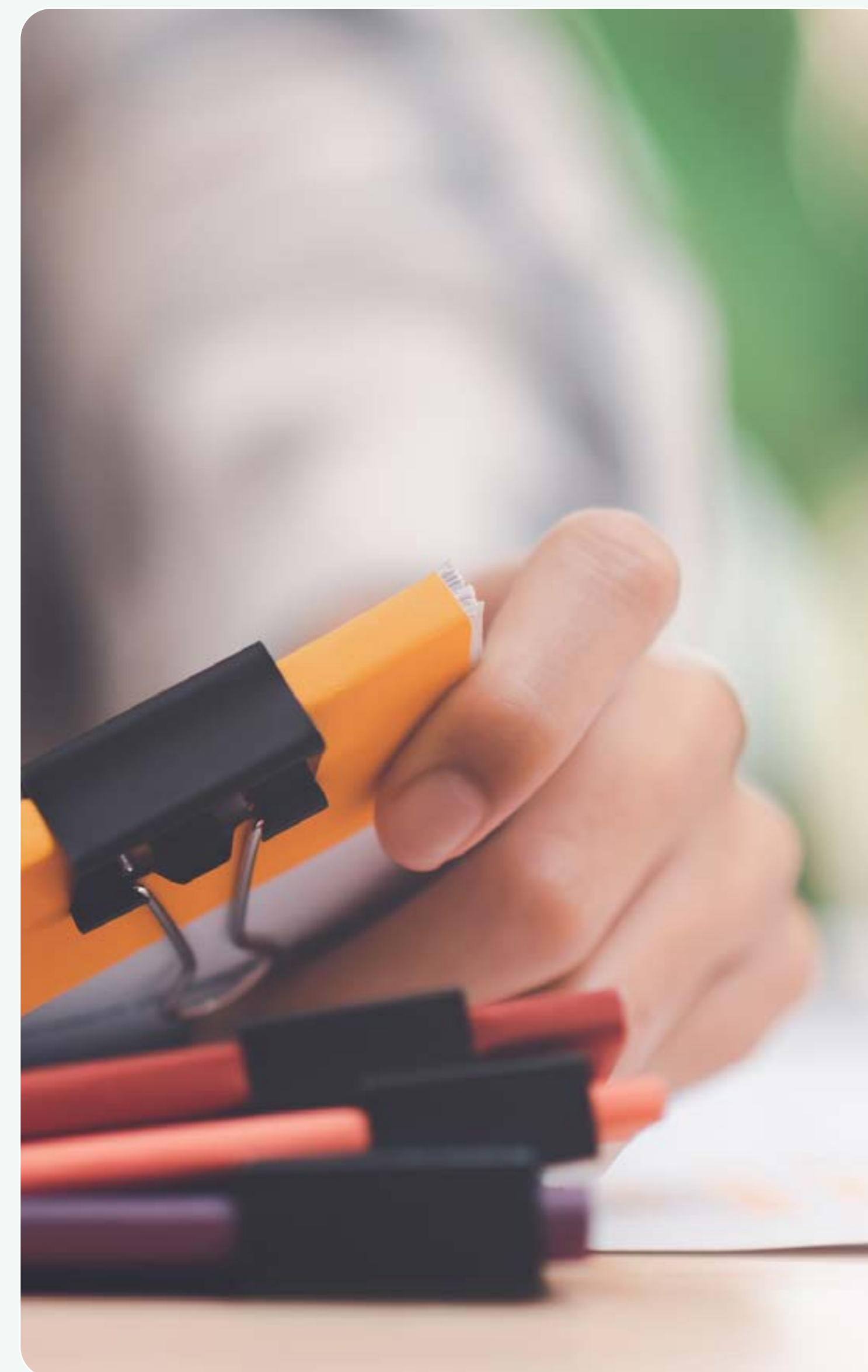
S&P Global Ratings has provided a second party opinion on this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles.

POST-ISSUANCE VERIFICATION

An independent external party, appointed by Kommuninvest, will on an annual basis, until full allocation of the Green Bond net proceeds and in the event of any material changes, provide a review confirming that an amount equal to the Green Bond net proceeds has been allocated to eligible Green Loans.

PUBLICLY AVAILABLE DOCUMENTS

The Framework and the second party opinion will be publicly available on Kommuninvest's website www.kommuninvest.se, together with the post-issuance review and the Green Bond Report once published.



Kommuninvest is a Swedish municipal cooperation set up in 1986 to provide cost-efficient and sustainable financing for local government investments in housing, infrastructure, schools, hospitals etc. The cooperation comprises 295 out of Sweden's 310 local governments, of which 280 municipalities and 15 regions. Head office is located in Örebro.

Kommuninvest is the largest lender to the Swedish local government sector and one of the largest credit institutions in Sweden. At year-end 2023, total assets were SEK 569 billion (USD 57 billion).

CONTACT

kommuninvest.se/eng/homepage

