

The background of the slide is a blue-tinted photograph of a rural landscape. In the center, there is a wooden house with a tiled roof and a chimney. To the left, there is another smaller building with a chimney. The foreground is filled with tall grass, and the background is filled with trees. The text is overlaid on this image.

Kommuninvest

Green Investor Presentation

Global Investor Call, April 19, 2018

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Agenda



Municipal sector review & outlook



Kommuninvest funding strategy



Green Bonds Impact Report 2017



Environmental Committee



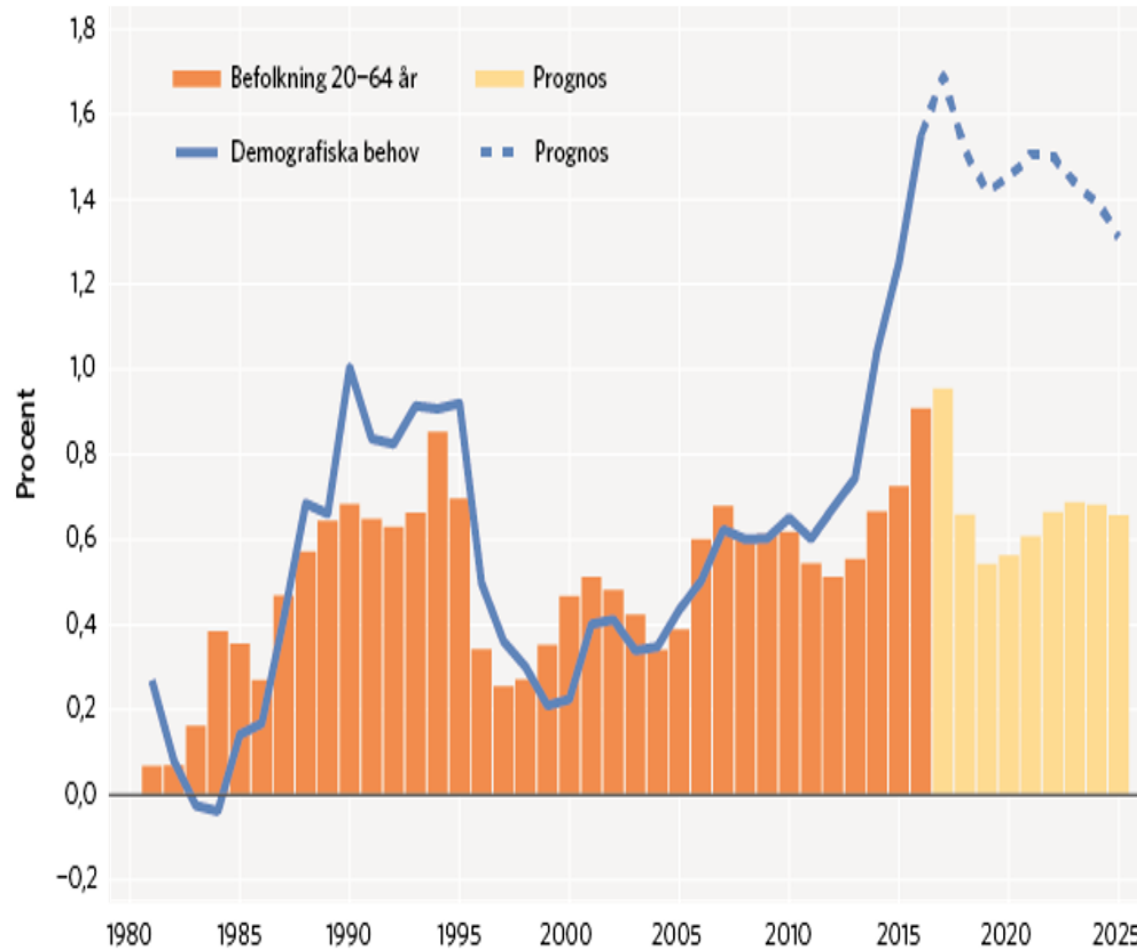
New Green Bond Framework

The background is a blue-tinted photograph of a classroom. In the foreground, a young boy is seen from the back, raising his right hand with his index finger pointing up. In the background, other students are visible, some also raising their hands, suggesting an active learning environment. The text is overlaid in the center of the image.

Municipal sector financial review and outlook

Municipal sector faces challenges

Procentuell förändring



Rapid population growth



Number of elderly and young are increasing faster than numbers of employed



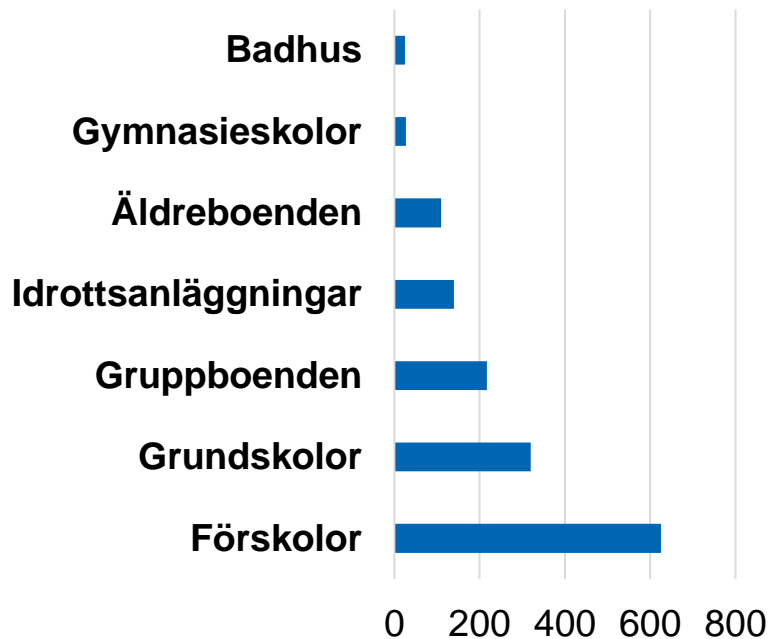
Challenges in finding competent staff drives cost increase



Rapidly increasing investments

Source: Swedish Association of Local Authorities and Regions, SALAR

Large future needs

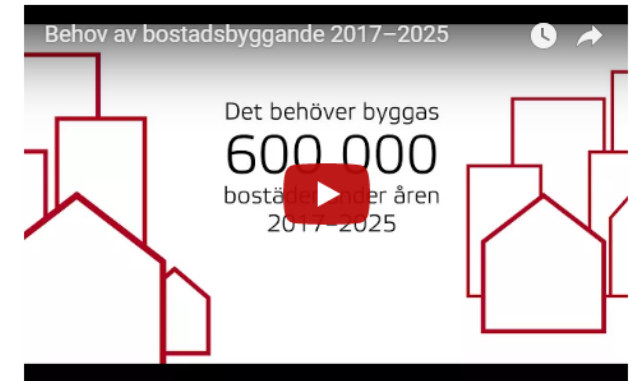


Source: Swedish Association of Local Authorities and Regions, SALAR



**VA-taxorna behöver fördubblas
kommande 20 år**

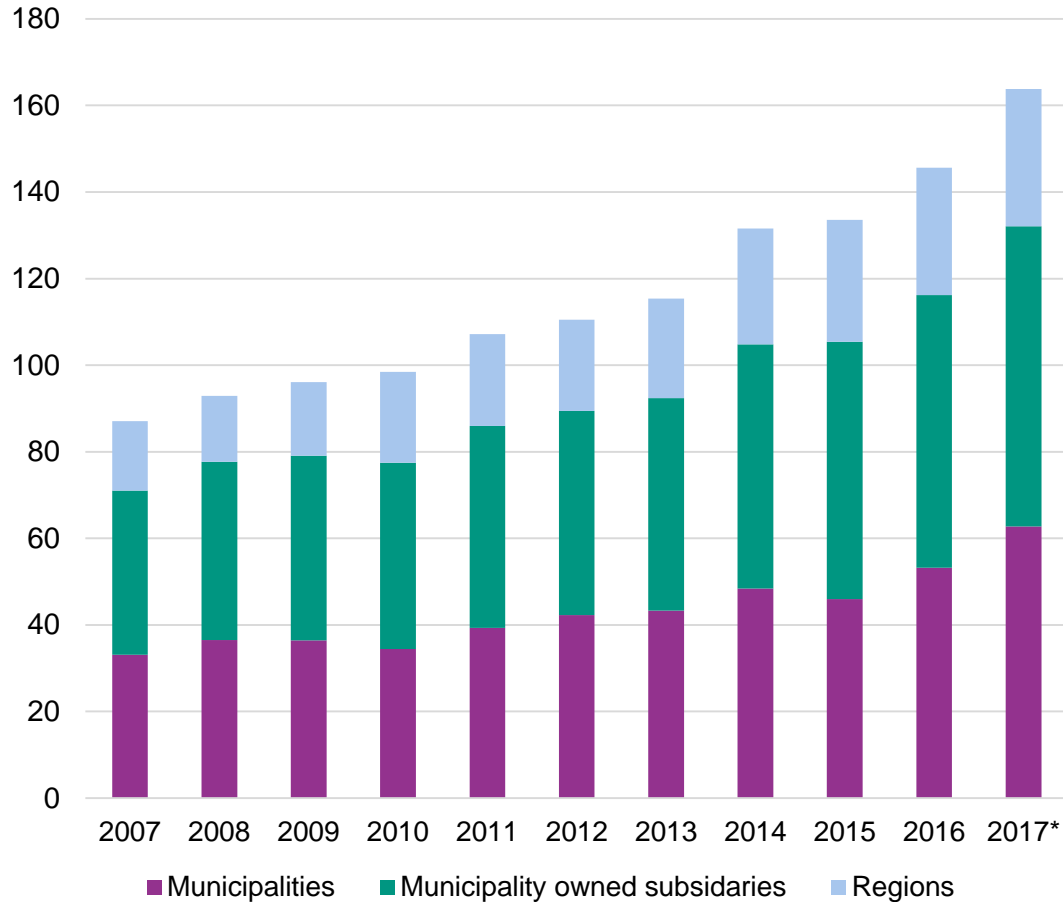
Källa: Svenskt vatten



Källa: Boverket

Increasing investment volumes

SEK Billion

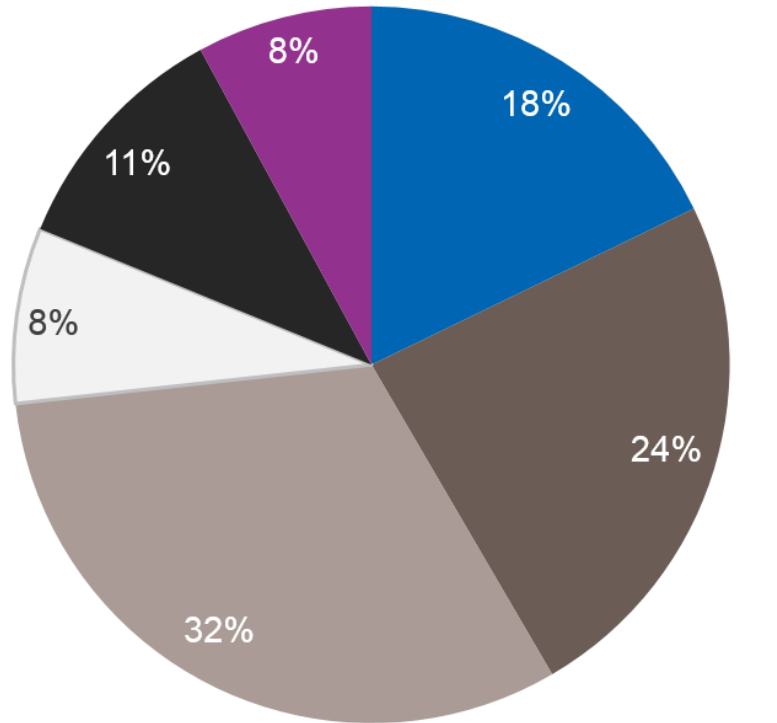


Annual investment volumes have increased by SEK 50 billion since 2010.

Continued high growth pace expected for the coming years

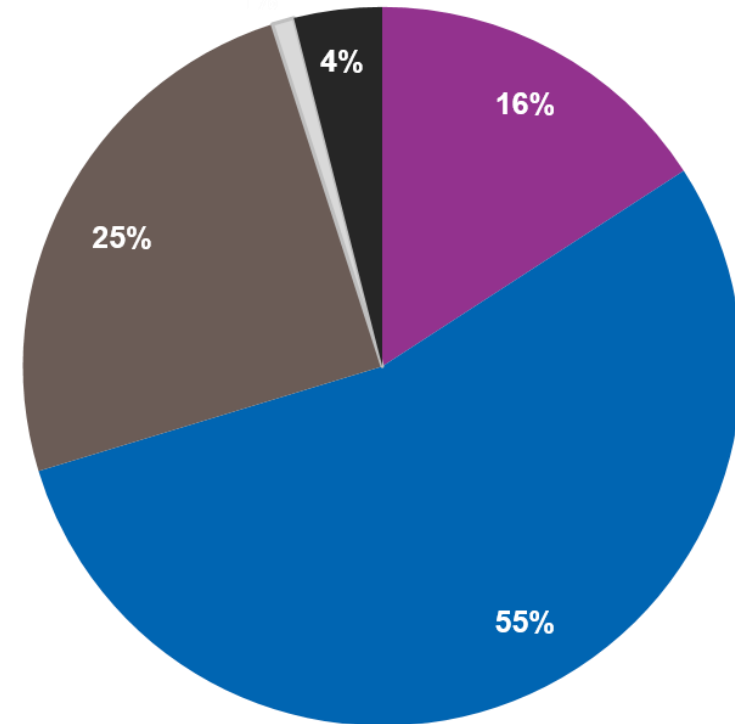
Focus of investments

Municipal groups



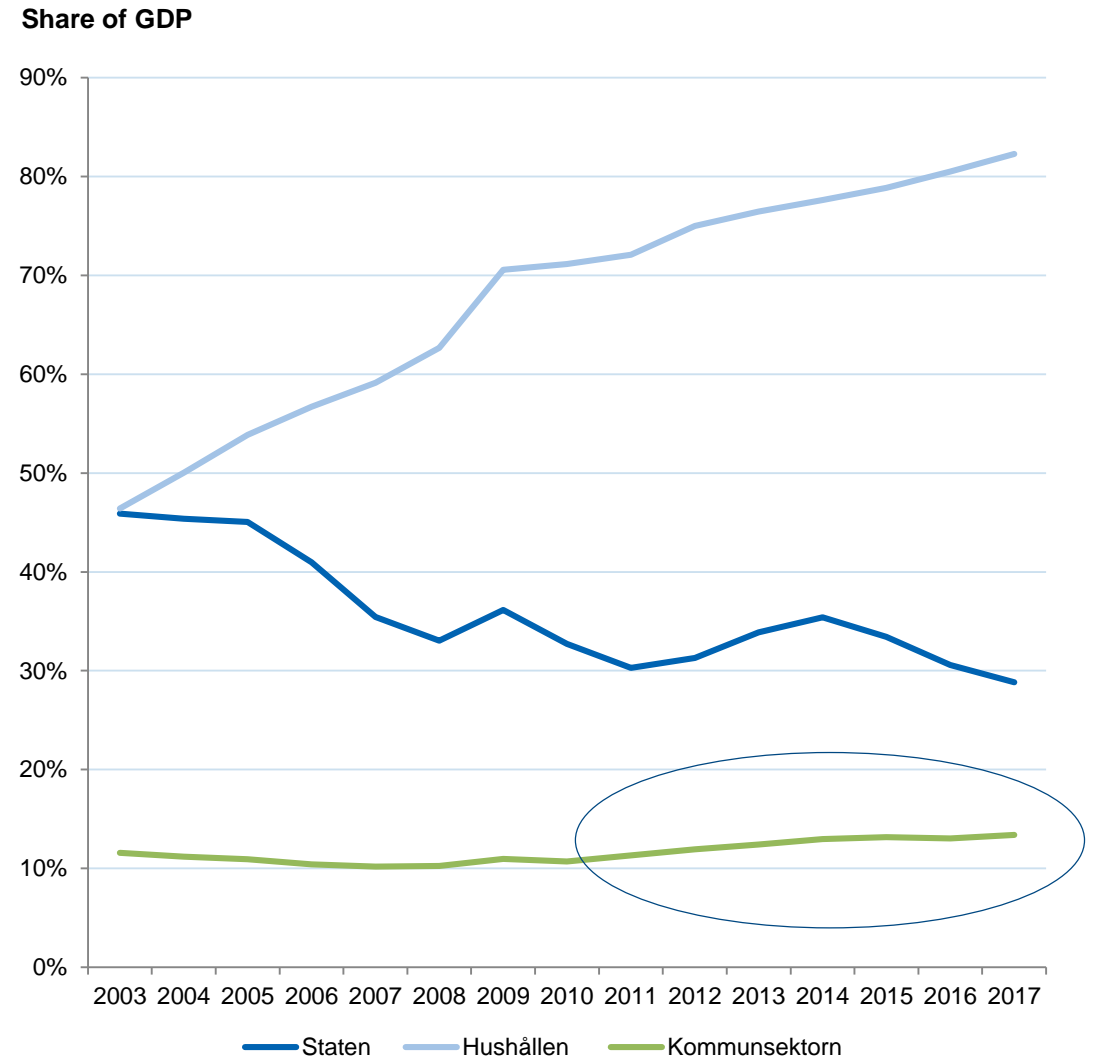
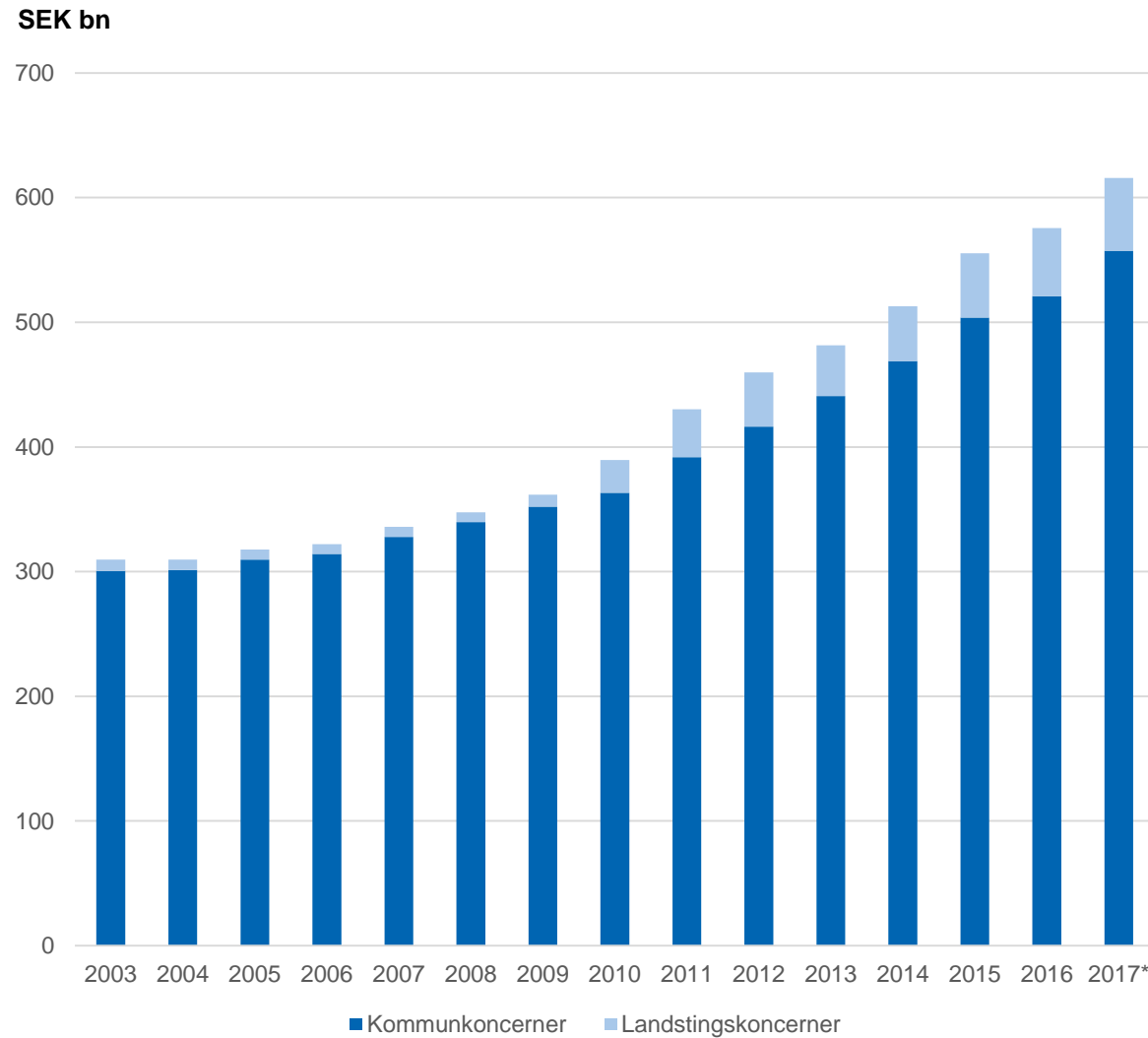
■ Infrastruktur ■ Bostäder ■ Fastigheter
■ Energi ■ Vatten och avlopp ■ Övrigt

County council/region groups

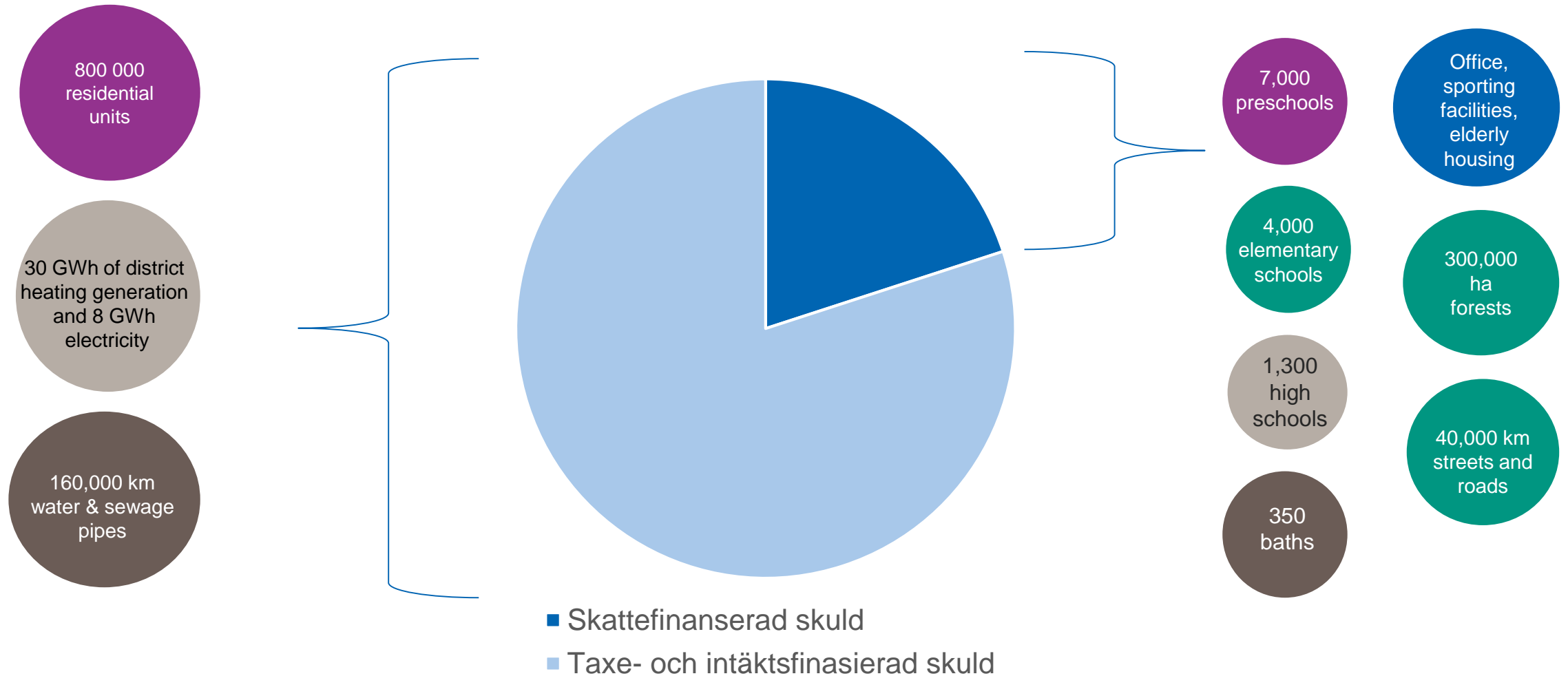


■ Vårdutrustning ■ Fastigheter ■ Infrastruktur
■ Kollektivtrafik ■ Övrigt

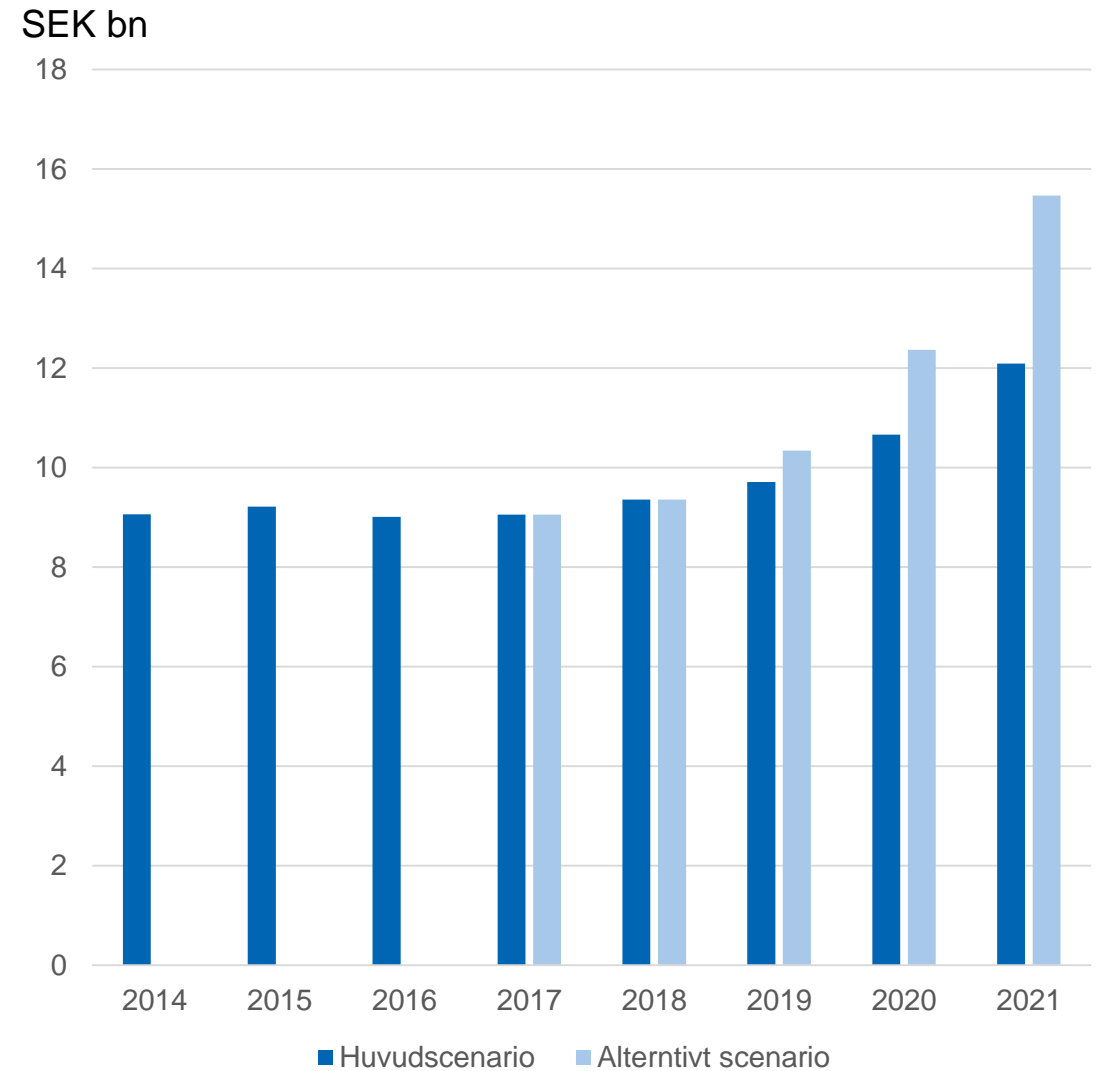
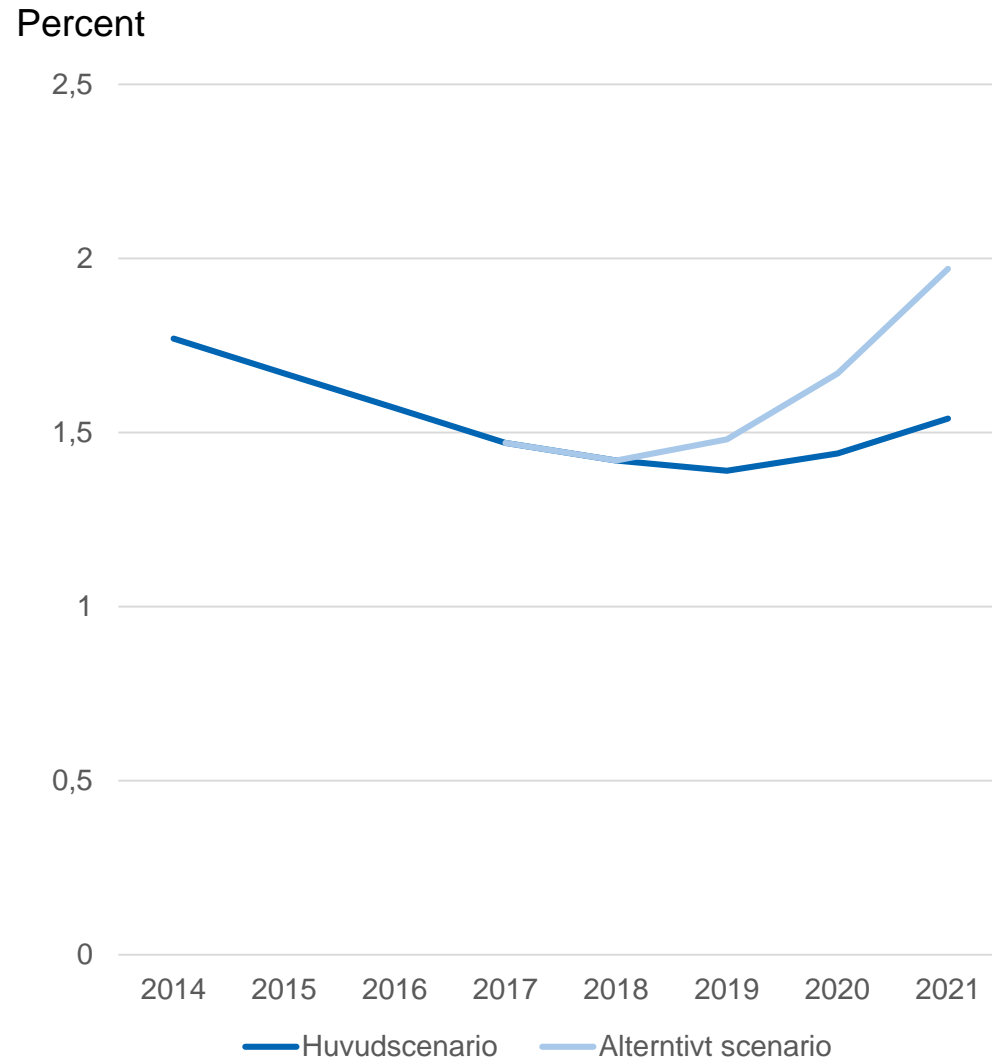
Nominal vs real growth



Local government debt and assets



What if interest rates rise?



Funding

The background of the slide is a solid blue color. Overlaid on this background are faint, semi-transparent white graphics. These include a world map composed of a grid of dots, a line graph with a fluctuating white line and circular markers, and a bar chart with vertical bars of varying heights. A specific data point on the line graph is labeled with the text '+11,000.00' in a small, light blue font.

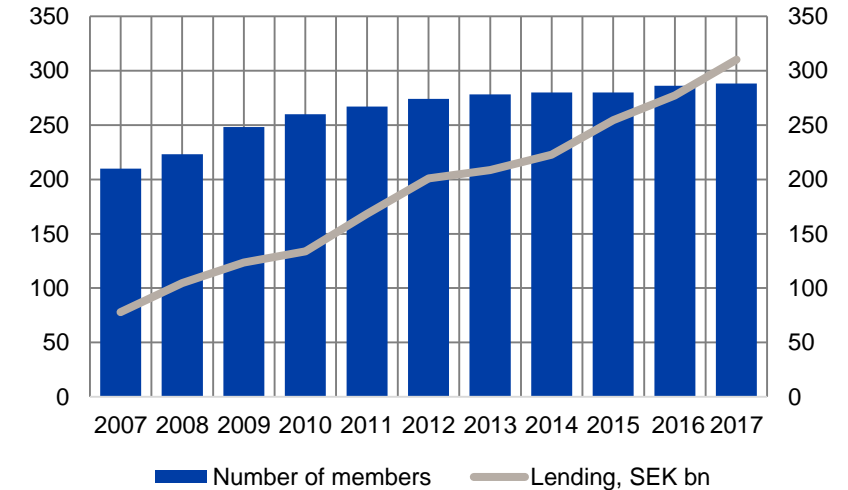
Swedish Local Government Debt Office

- Mission: provide members with cost efficient and stable funding for investments.
- AAA/Aaa, stable outlook. (Moody's & S&P)
- Balance sheet 2017: 357 bn SEK
- Only lending to members (310 bn SEK).
- Founded 1986 by ten local governments. Currently 288 owners/members (out of 310 total)



Public sector institution

- Swedish local governments cannot be declared bankrupt.
 - Equally unlikely with sovereign or municipality default in Sweden. Municipalities levy approx. 85% of income tax.
- Explicit, irrevocable, unlimited, joint and several guarantee from owners.
 - Investors can claim any/all of the guarantors without court order.
- LCR Level 1 in the EU, Switzerland, Singapore.
- Securities issued by Kommuninvest equal to government risk.
 - Regulated by Finansinspektionen.
- Monetary policy counterparty to the Riksbank.
- Eligible as collateral with NasdaqOMX and a large number of central banks, including FED.



Asset Liability Management

Funding governed by ALM

- Risk minimizing funding strategy
 - Funding determined by lending.
- Low risk liquidity management
 - Liquidity reserve HQLA assets.

Long-term funding

- Liquidity, cost efficiency & economies of scale
- Benchmark funding (SEK, USD)
- Green Bonds (SEK & USD)
- Uridashi

Funding forecast 2018:

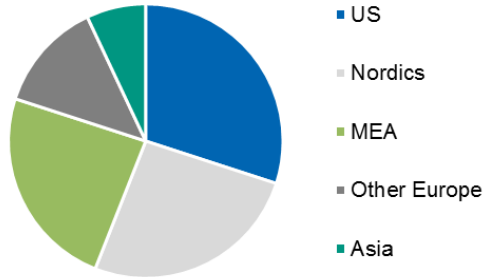
SEK 85-100 bn

(USD ~10-12 bn,
long-term funding)

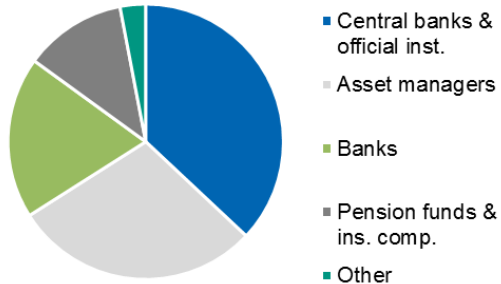
Outstanding Green Bonds

March 2016 USD 600m

Geographic distribution

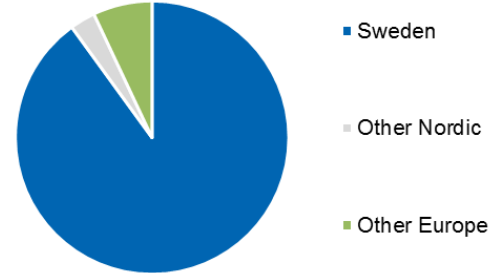


Investor type distribution

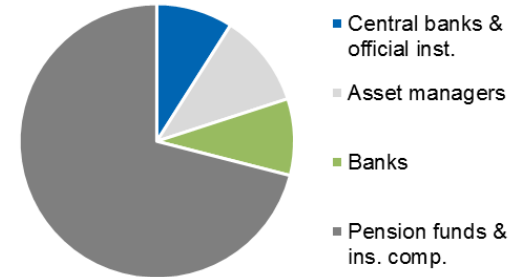


October 2016, SEK 5bn

Geographic distribution

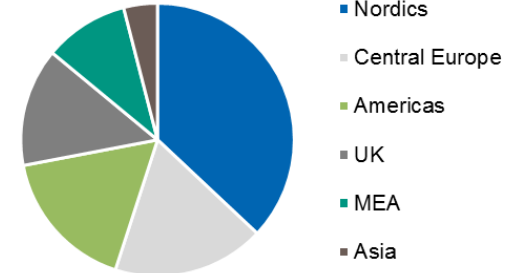


Investor type distribution

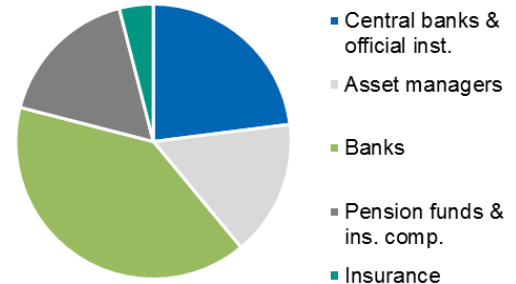


May 2017, USD 500 m

Geographic distribution



Investor type distribution



Green Bonds

The background of the slide is a photograph of a wind farm. Several large, three-bladed wind turbines are visible, standing in a field of tall grass. The sky is a clear, bright blue. The entire image is overlaid with a semi-transparent blue filter, which makes the colors appear more muted and uniform.

Green loans for eligible investments



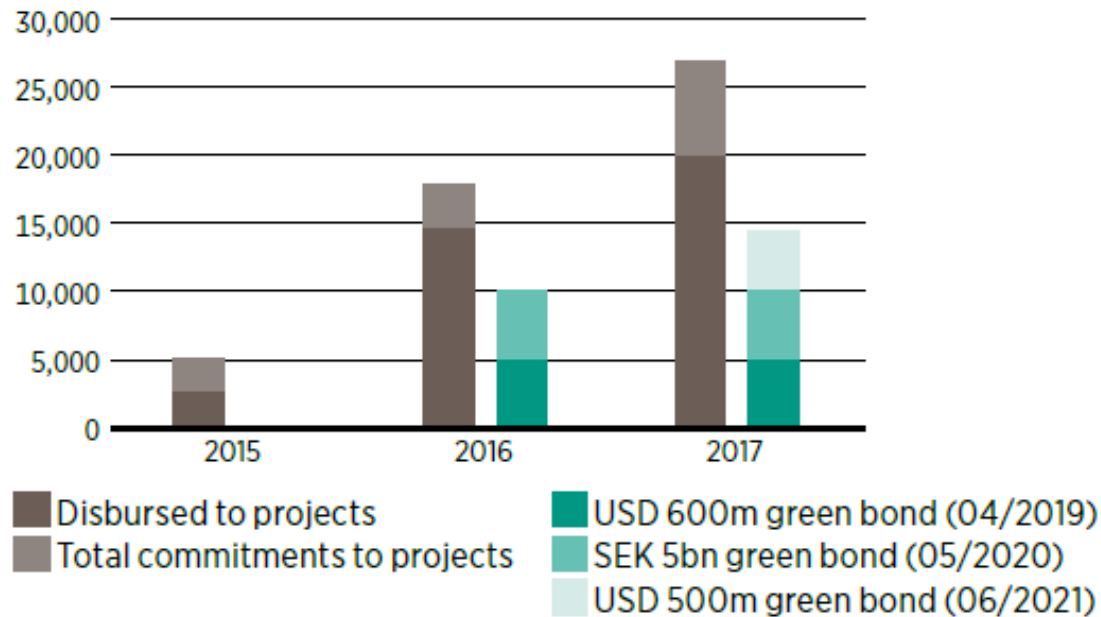
Projects may include:

- Bioenergy
- Geothermal
- Solar
- Wind
- Biogas from waste
- Hydro
- Wave
- Wind

Green loans | Green bonds, as of 31 Dec 2017

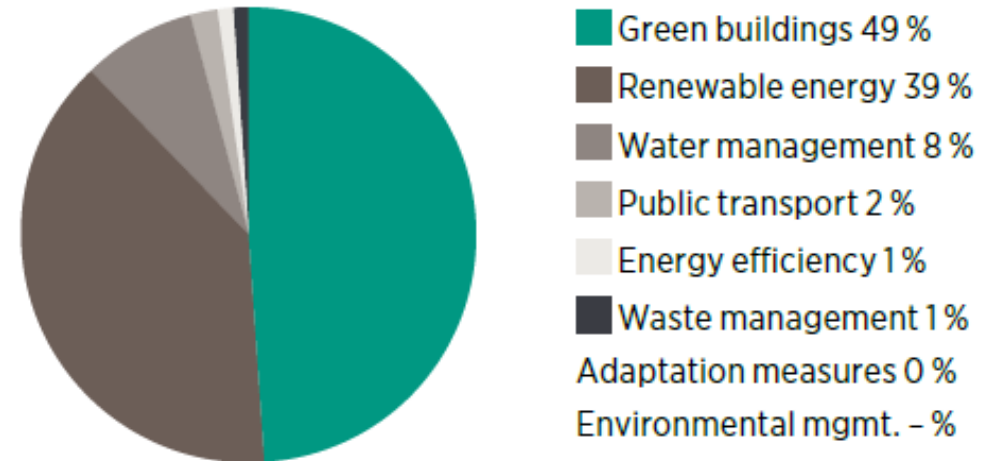
Green bonds issuance and Green project portfolio

SEK million



Green project portfolio distribution

based on disbursed amounts



Impact Report 2017

- 146 green investment projects financed in 80 Swedish cities and regions
- Contribution: nearly 515,000 tonnes of annual CO2 emissions reduced/avoided (annual emissions of ~350,000 cars w/ mileage of 12,000 kilometres).

CO₂ impact and Green indicators, based on outstanding disbursed amounts¹

Project category	GHG emissions reduced/ avoided, tonnes CO ₂ e/year	Outstanding disbursed amounts to projects, SEK mn	Impact, tonnes CO ₂ e per SEK mn
Renewable energy	487,678	7,692	63
Green buildings	3,693	9,778	0.4
Energy efficiency	22,355	235	95
Public transportation	732	470	2
Waste management	486	125	4
Water management	n/a	1,587	n/a
Adaptation measures	n/a	16	n/a
Total	514,944	19,903	n/a
Disbursed amounts with CO₂ Impact, SEKmn		18,300	28.1 tCO₂e/SEKm p.a.
Annual renewable energy generation, GWh			2,059 GWh p.a.
Annual energy reduced/avoided, MWh			137,105 MWh p.a.

¹) This table presents the calculated impact in terms of CO2 reduced or avoided. Aggregated project data reported represent both ex-ante estimates and ex-post outcomes, see pages 26-43. For information on additional project impact, see page 21.



Full report available for download at:
kommuninvest.se/greenbonds

Follows Nordic Position Paper guidelines

- Joint position paper on impact reporting from ten Nordic public sector issuers
- Common positions on Financial, Environmental and Procedural aspects of impact reporting
- Launched at OECD Green Investment Financing Forum in Paris on October 24, 2017 and events in London, Stockholm, Oslo and Helsinki.



Green buildings

- **86 green building projects:**
 - Residential buildings (33)
 - Non-residential buildings (44)
 - Other buildings (4)
 - Energy efficiency projects (5)
- **SEK 9.8 bn in disbursements – 49% of total**
- **Expected result:**
 - 26.3 GWh of reduced and/or avoided energy use,
 - 3,693 tonnes of CO2 emissions annually
(a fully loaded Volvo long-haul truck with trailer traveling 74 times around the earth)



Project #123: Aspö Ekologi – ecological residential district, Skövde. SEK 350m disbursed

A comprehensive ecological approach has governed the whole construction process, with social diversity aspects an integrated part. Energy requirements are less than half of the requirements. Three environmental certifications.

Renewable energy

- **39 renewable energy projects:**
 - Bioenergy (3)
 - District heating (19)
 - Hydropower (3)
 - Solar energy (1)
 - Wind power (13)
- **SEK 7.7 bn in disbursements – 39% of total**
- **Expected result:**
 - 2.1 TWh of annual renewable energy generation
 - 487,678 tonnes in annual CO2 emissions reduced / avoided (~334,000 cars removed from the road)



#5 & #55: Sobacken, new wastewater treatment plant and bio-fuelled combined power and heating plant – Borås municipality. SEK 1,750 m disbursed.

- 50 GWh in added renewable energy generation
- 16,119 tCO2e emissions avoided per year.

Water management

- **12 water and wastewater mgmt. projects:**
 - New waste water treatment facilities (2)
 - New freshwater supply (2)
 - Upgrading and/or expansion of current wastewater treatment facilities (8)
- **SEK 1.6 bn in disbursements – 8% of total**
- **Expected environmental impact:**
 - reduced emissions of phosphorus, nitrogen and BOD;
 - modernising sludge treatment;
 - reducing energy consumption in wastewater treatment;
 - increased production of biogas.



Project #135: Ängen wastewater treatment facility, Lidköping Municipality. SEK 250m disbursed

New sewage treatment to ~61,000 p.e.
Emissions of nitrogen, phosphorus and BOD to be reduced by 53–63%; yearly biogas production to amount to >565,000 Nm³; energy use per m³ of wastewater treated to be reduced by 18%.

A group of seven people, four men and three women, are posed outdoors in front of a large, light-colored building with multiple windows. The image is overlaid with a semi-transparent blue filter. The text "Environmental Committee" is centered in a bold, yellow, sans-serif font. The group is arranged in two rows: three people are standing in the back, and four people are in the front, with two seated or kneeling in the foreground. The individuals are dressed in professional or business-casual attire. The overall mood is positive and collaborative.

Environmental Committee

Environmental Committee reviews projects



Areas of Expertise

- Energy and climate strategy
- Urban development and planning
- Waste management and circular economy, ecological economics
- Environmental management
- Environmental engineering
- Sustainability reporting

Tasks

- Audit and final approval of Green Loan applications
- Advisory board
- Review and decide on Green Loan reporting
- Review and approve Impact Reporting
- Participate in development of Green Bonds framework

LtR: Björn Söderlundh, Head of Lending, Kommuninvest; Marta Fallgren, Env. Mgr, Uppsala County Council; Sara Pettersson, Urban Development Officer, City of Gothenburg; Susanne Arneborg, Energy Coordinator, Municipality of Borås; Petra Mangnäs, Client Advisor, Kommuninvest (resigned in 2017); Hanna Arneson, Sustainability Mgr, Municipality of Örebro; Andreas Hagnell, Senior Advisor Environment and Energy, Swedish Association of Local Authorities and Regions. Petra Mangnäs has been replaced by Daniel Nykvist and Ann Sörman

Sustainability criteria

All projects must:

- ✓ Promote the transition to a low-carbon and climate-resilient society
 - ✓ Be part of the systematic environmental work in the applicant municipality or county council/region
 - ✓ Be related to Sweden's national environmental objectives, or to regional environmental goals
 - ✓ Target either mitigation of climate change, adaptation to climate change, or be related to environmental management in other areas than climate change.
- ✓ Additional quantitative requirement for Green buildings and energy efficiency





Kommuninvest Green Bonds Framework

Kommuninvest Green Bonds Framework

Adhering to the four pillars of the Green Bond Principles

1. Use of Proceeds

Investment projects undertaken by Swedish local governments that promote the transition to a low-carbon and climate-resilient society.

3. Management of Proceeds

Earmarked account for proceeds. Lending to Eligible Projects precedes Green Bond issuance.

4. Reporting

- i) Annual investor impact report regarding green bond issuance and Eligible Projects;
- ii) Annual sustainability reporting.

2. Project Evaluation and Selection

- i) Project identification and verification by the environmental and treasury functions in Kommuninvest's member municipalities/county councils;
- ii) screening and pre-approval by Kommuninvest's Lending department;
- iii) review and final approval by consensus vote in the Kommuninvest Green Bonds Environmental Committee.

Assurance:

- i) Second opinion on framework from Cicero
- ii) Assurance report by auditors according to SNT4400

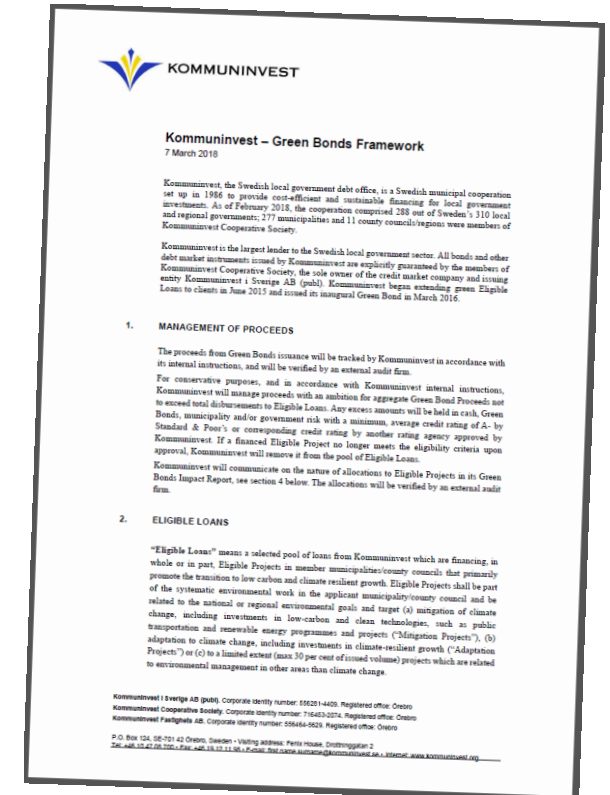
Revised frameword, adopted 7 March 2016

1) Adjustments in Green buildings category

	<u>Framework 7 Mar 2018</u>	<u>Framework 12 Jan 2016</u>
Residential multi-family buildings	15% better than BBR 25	25% lower than BBR 21
Non-residential buildings	20% better than BBR 25	25% lower than BBR 21
Major renovations	Min. 30% lower energy use, or reaching BBR 25 requirements.	Min. 35% lower energy use, or reaching BBR 21 requirements..
Energy efficiency in partial systems	Min. 30% lower energy use	Min. 25% lower energy use

2) Commitment to report along Nordic position paper guidelines

3) Clarification on fossil energy content (see next slide)



Fossil energy restrictions

- Kommuninvest does not approve investment projects that lead to a lock-in of fossil energy-based infrastructure. Peat is treated as a fossil energy source.
- **Maximum share of fossil energy content in project, if waste is NOT INCLUDED in energy mix** **10 percent**
- **Maximum share of fossil energy content in project, if waste is INCLUDED in energy mix** **20 percent**
- **Maximum share of fossil energy content in public transport** **20 percent**

Cicero shadings, as per 27 March 2018

Renewable energy

<i>Wind</i>	<i>Dark green</i>	Energy efficiency in energy systems	<i>Medium to Dark green</i>
<i>Solar</i>	<i>Dark green</i>	Clean transportation	<i>Medium green</i>
<i>Hydro</i>	<i>Dark green</i>	Waste management	<i>Medium green</i>
<i>Bioenergy and biogas</i>	<i>Medium green</i>	Green buildings	<i>Medium green</i>
<i>Geothermal</i>	<i>Dark green</i>	Water management	<i>Dark green</i>
<i>Excess heat</i>	<i>Dark green</i>	Adaptation measures	<i>Dark green</i>
<i>Conversion from fossil to renewable</i>	<i>Dark green</i>	Environmental management	<i>Dark green</i>

“Overall, Kommuninvest’s Green Bond framework and environmental policies provide a progressive, clear and sound framework for climate-friendly investments. The framework lists eligible categories of projects that are supportive of the objective of promoting a transition to low-carbon and climate-resilient growth and is supported by a strong governance structure.

Kommuninvest puts strong emphasis on environmental competence in their selection of eligible loans. .. This welcomed governance element is of particular importance since the framework covers many eligible project categories, some with a broad scope.”

Center for International Climate and Environmental Research (Cicero), 27 March 2018

Winner of UN climate award 2017

- Kommuninvest green finance model (“Green Finance and The Aggregation of Swedish Local Government Investments Projects”) awarded the *UN Momentum for Change Climate Solutions Award 2017*.
- Ceremony at COP 23 climate conference in Bonn, Germany, on 14 Nov, with Umeå Municipality and Kommuninvest present.
- Award recognizes innovative, concrete and scalable initiatives from around the world.
- Winners in *Financing for Climate-Friendly Investment* category showcase activities that “promote low-carbon growth and highly resilient communities through the use of innovative financing mechanisms.”



United Nations
Framework Convention on
Climate Change

unfccc.int

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