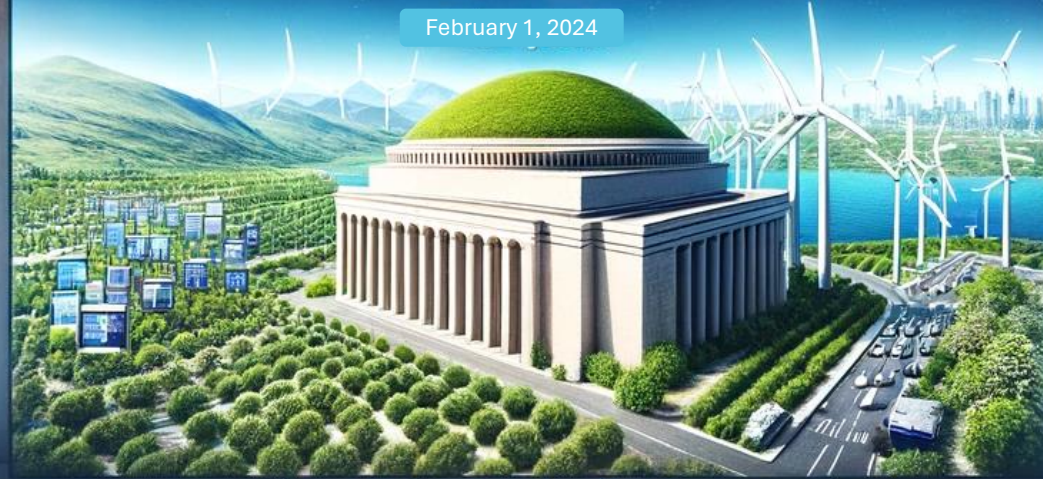


The road to sustainable bond market

February 1, 2024



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Sustainable Bond Issuers with different profiles

... are contributing to EU's goal to become the first climate neutral continent



Governments, Municipalities, and Local Development Institutions

EU Resources are scarce compared to investments needed to reach EU climate goals



Banks and financial institutions

Banks can facilitate transition towards a resilient, low-carbon economy



State-owned enterprises

SOEs are estimated to be responsible for over one-fifth in direct carbon dioxide emissions annually on a global scale¹



Corporates

Chance to gain sustainability edge and attract impact investors



Benefits of establishing Sustainable Finance Framework

Enhanced reputation and credibility

- Establishing a Framework showcases company's dedication to sustainability
- Promotion of UN Sustainable Development Goals
- The level of transparency provided in the Framework builds trust among stakeholders

Improved ESG risk management

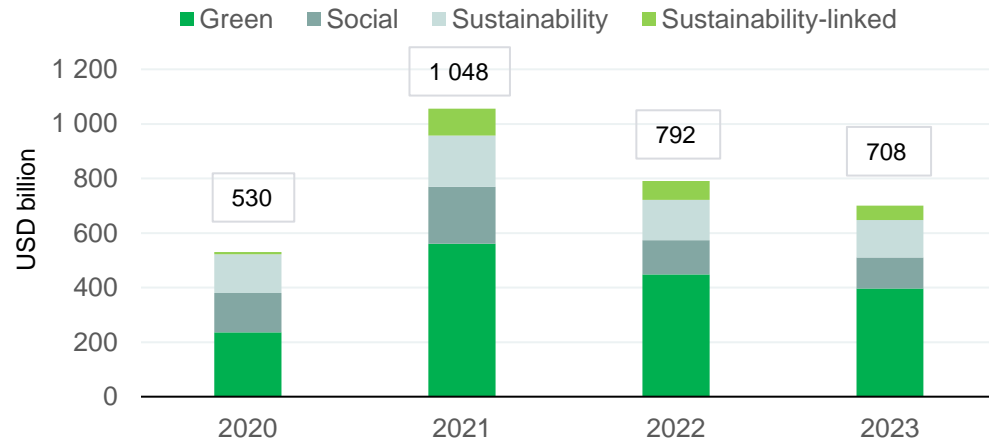
- The Framework forces companies to establish a clear ESG governance structure and ESG risk management policies
- ICMA, LMA guidelines, and EUGBS provide companies with a set of guidance/rules for ESG risk disclosure and reporting

Increased access to capital

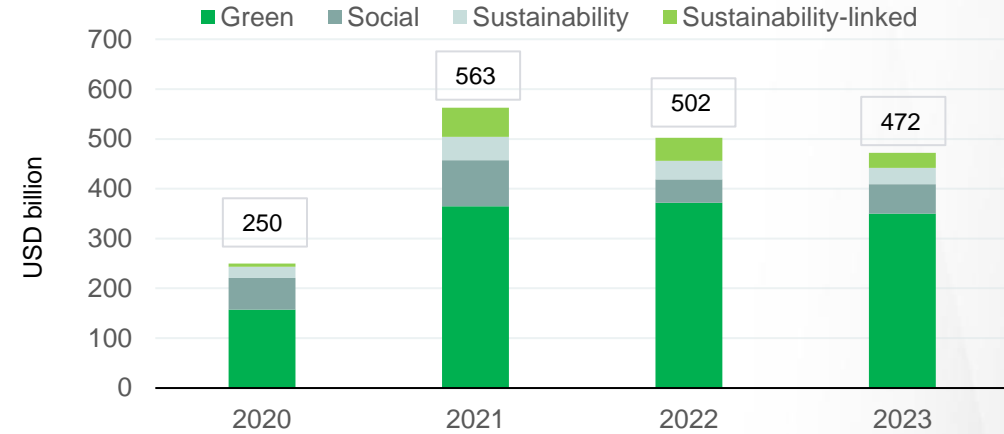
- Capital providers are facing broader societal and regulatory push but face problems collecting sustainability data from their (potential) investments
- Increasing demand to finance sustainable investments
- Green loans/bonds often provide tighter spreads

Investors await sustainable bond issuers to enter the market

Total sustainable bond issuance per category



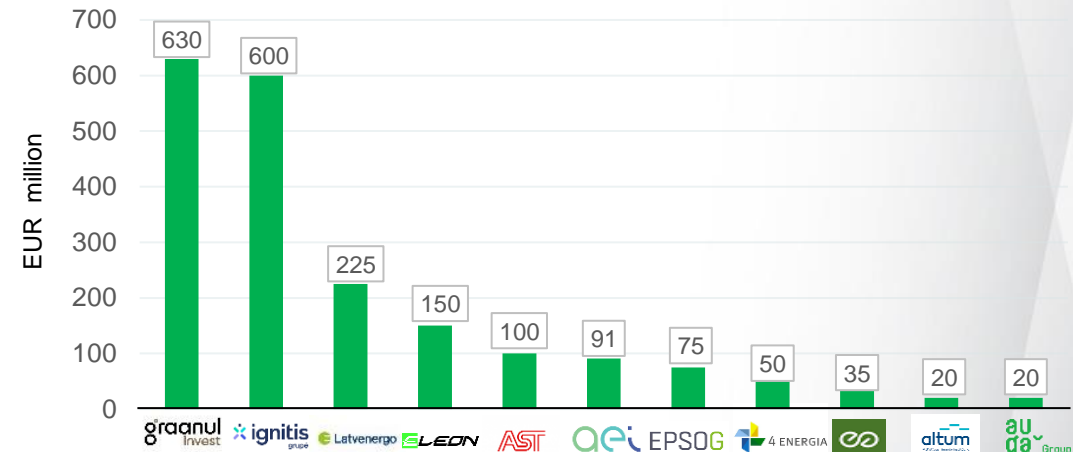
Total sustainable bond issuance in Europe



Baltic sustainable bond issuance per year

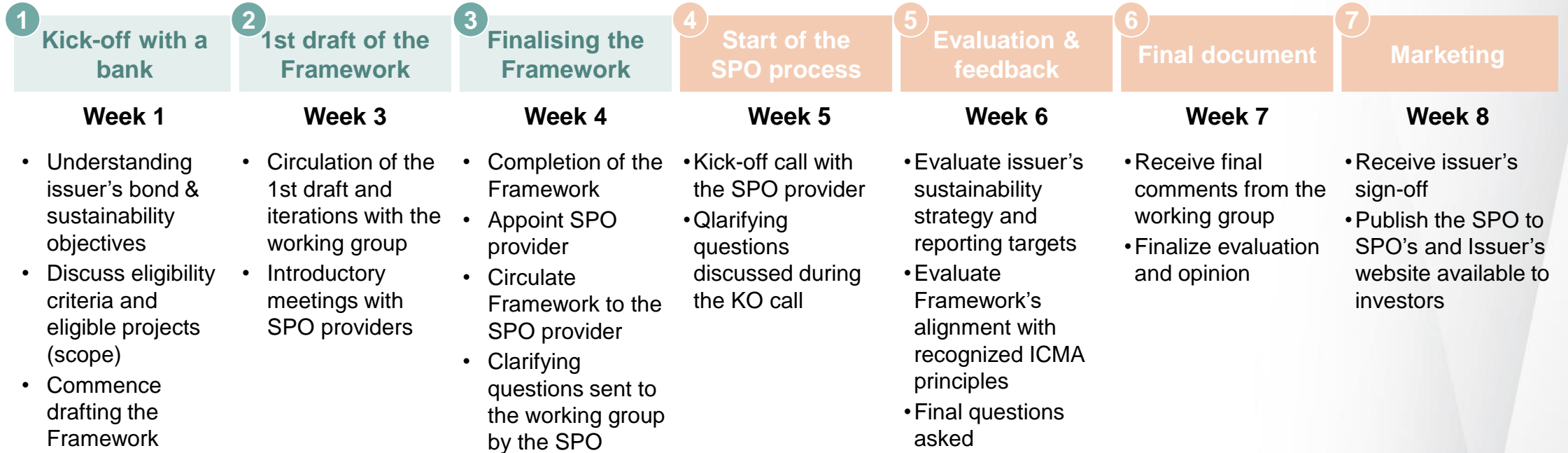


Largest Baltic sustainable bond issuers



Framework preparation and SPO process

Average 8 weeks project cycle

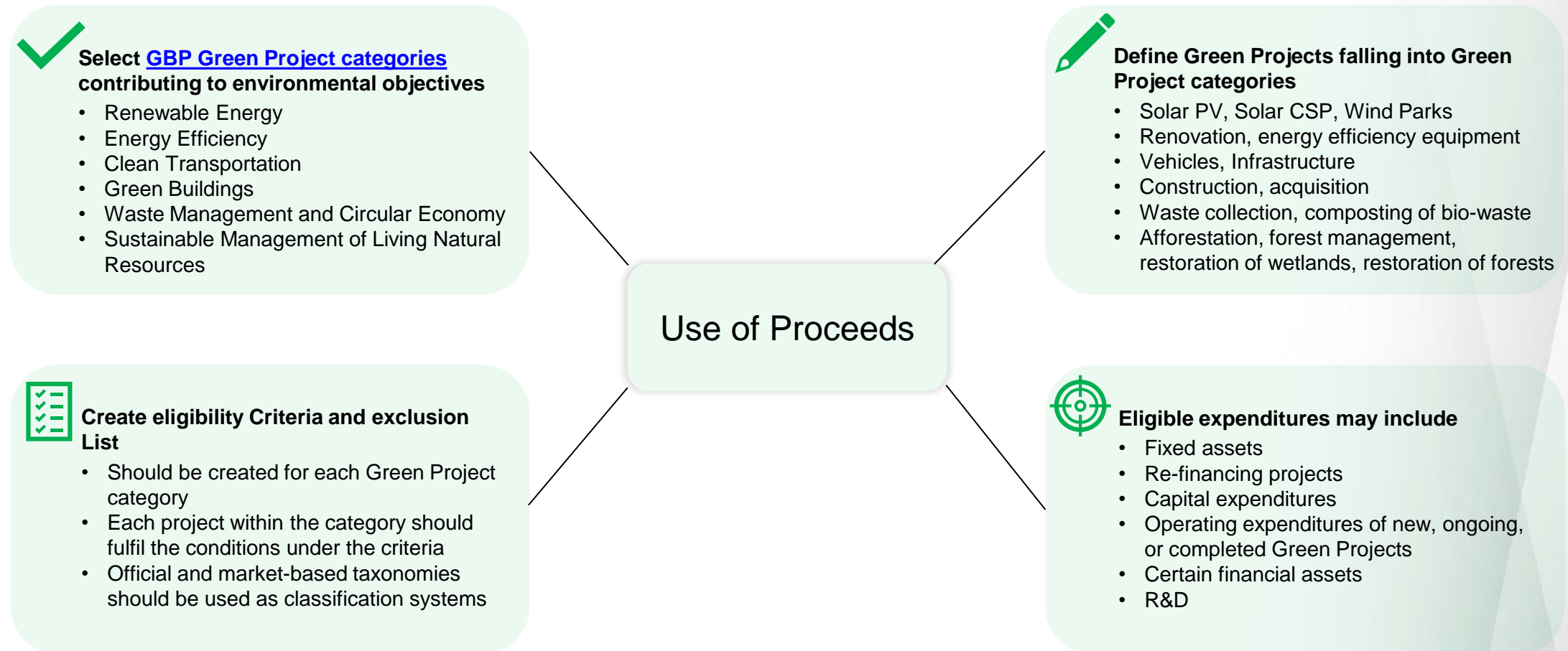


Issuer's involvement in the process



Green Bond Framework based on ICMA GBP

I. Use of Proceeds



Green Bond Framework based on ICMA GBP



II. Process for Project Evaluation and Selection

Have a process in place how the issuer is screening and identifying potential Green projects that correspond to issuer's overarching sustainability strategy



There should be a team in place who is responsible that identified projects are in compliance with eligibility criteria of the Framework and applicable laws and regulation



Approve evaluated and selected projects and mark them as Green Projects in a dedicated „Green Register“

Green Bond Framework based on ICMA GBP



III. Management of Proceeds

Tracking of Green Bond net proceeds	<ul style="list-style-type: none">• Issuers should use a dedicated earmarked account to track the allocation of net proceeds from Green Bonds to Green Projects• Dedicated department should be responsible for the allocation of the net proceeds from the issuance of Green Bonds to eligible projects
Allocation	<ul style="list-style-type: none">• Look-forward period should be defined• Look-back period should be maximum of 3 years from the date of issuance
Temporary holdings	<ul style="list-style-type: none">• Process in place to track unallocated Green Bond net proceeds• Any unallocated proceeds temporary held can be placed in liquidity reserves or invested in money market deposits or invested in pre-defined green indices
Exclusions	<ul style="list-style-type: none">• Process and exclusion criteria in place to track that proceeds including temporary holdings, are not allocated to projects for which the purpose is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or Tobacco etc.

Green Bond Framework based on ICMA GBP



IV. Reporting

Allocation Reporting	Impact Reporting
<p>Selected information included in the allocation reporting:</p> <ul style="list-style-type: none">• The total amount of green bonds issued• Breakdown of amounts allocated to each of the Green Project Category• Share of proceeds used for financing vs re-financing• Description of selected Green Projects financed• Unallocated proceeds at the end of the reporting period	<p>Selected information included in the impact reporting:</p> <ul style="list-style-type: none">• Annual GHG emissions reduced/avoided (tonnes of CO₂e emissions)• Estimated reduction in car use and car kilometres the project will replace• Number of km of new walking, bicycle lanes etc.• Annual gross amount of waste that is separated and/or collected, and treated (tonnes and in % of total waste)• Installed renewable energy capacity (kW)• Annual renewable energy generation (kWh)
<ul style="list-style-type: none">✓ Issuer should report annually the allocation and impact reporting✓ First report should be released no later than a year from the issuance of a green bond, and thereafter annually until the full allocation✓ The reports should be available for investors	

Green Bond Framework based on ICMA GBP



V. External Verification



THANK YOU



CHART

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...	...

TODAY

TODAY	...
...	...

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