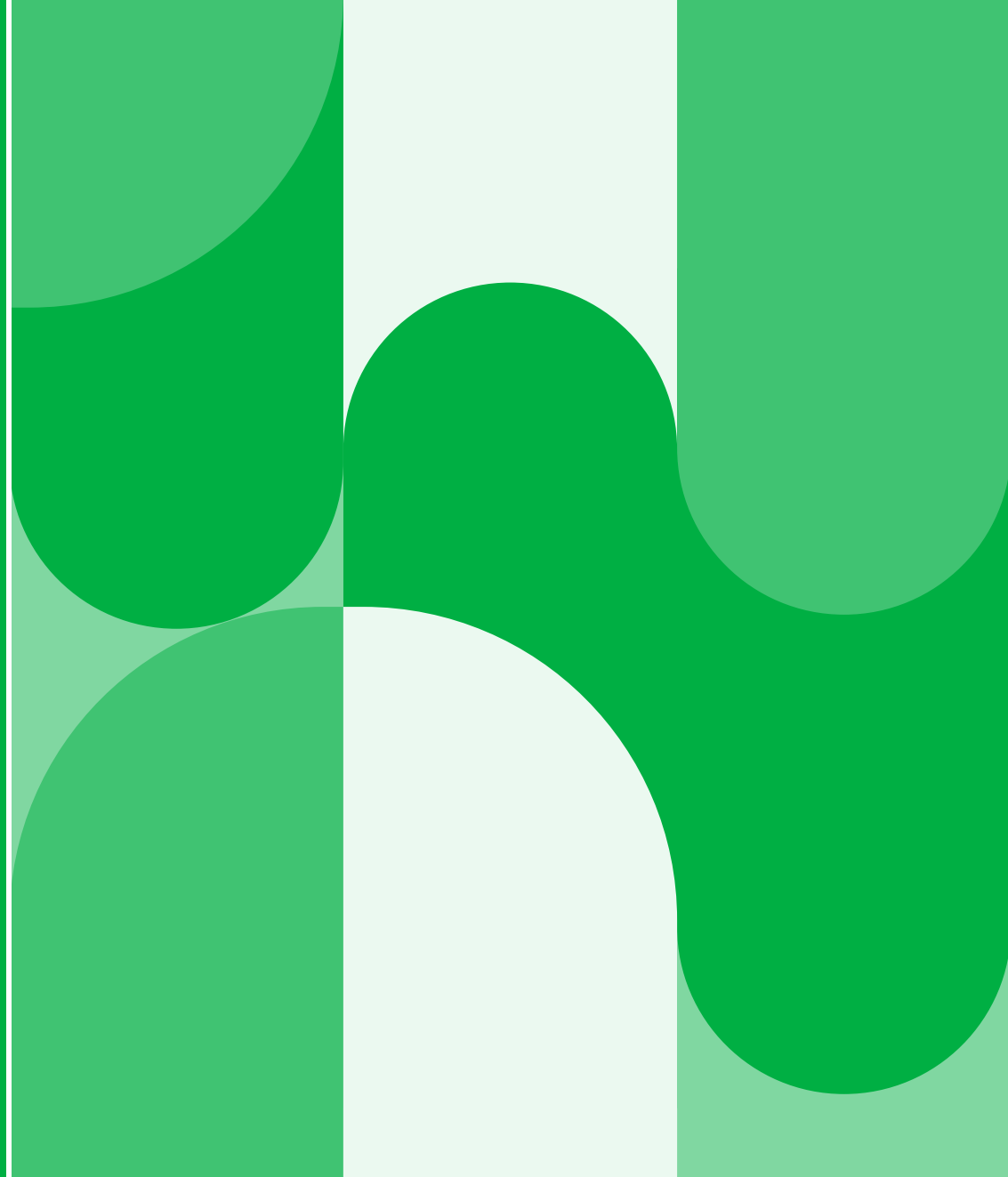


August 2022

Green Bond Framework

MuniFin



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1. Strategy and rationale

About MuniFin

Municipality Finance Plc ("MuniFin") is one of Finland's largest credit institutions and the only one specialised in the financing and financial risk management of the municipal sector and state-subsidised social housing production. MuniFin Group also includes the subsidiary company, Financial Advisory Services Inspira Ltd.

MuniFin is 100 per cent owned by the Finnish public sector: Finnish municipalities, the State of Finland, and Keva, a public sector pension fund. Due to the shareholder base, MuniFin does not seek to maximise profit, but to serve efficiently and profitably as the best financing expert in the field, providing its customers with solutions that are the best fit for their needs.

MuniFin's customer base includes Finnish municipalities, joint municipal authorities, municipally controlled entities and non-profit housing organisations nominated by the Housing Finance and Development Centre of Finland (ARA). The new wellbeing services counties, established in connection with the social and healthcare reform in Finland, will also become MuniFin's customers when they begin operating. The core mandate of MuniFin is to ensure that its customers stay viable and can acquire affordable funding regardless of the market

situation. The funding acquired by MuniFin is guaranteed by the Municipal Guarantee Board, whose members are all the Finnish mainland municipalities.

Through its expertise, MuniFin is helping its customers to make investment decisions that are sustainable for the economy, environment, and society. The effects of MuniFin's work can be seen in the everyday lives of Finns, obliging it to take sustainability into account in all its operations. Projects that have been financed include schools, day care centres, hospitals, healthcare centres, libraries, roads, bridges, sewerage, rental apartments, and housing for people with special needs, inter alia.

History as a green and social bond issuer

The aim of MuniFin's green and social finance is to create positive effects for the environment and society. MuniFin introduced its green finance, i.e. the green loans and leases, and issued its first green bond in 2016 as the first-ever Finnish issuer of green bonds. Since its inception, MuniFin's green finance has been granted to projects that promote the transition to low carbon and climate resilient growth. The green bonds have been well-received by investors, and MuniFin has for example won the "Green bond of the year"

award from Environmental Finance in 2021 and 2022 in the local authority/municipality category. Furthermore, MuniFin received the "Green bond of the year (SSA)" and the "Biggest issuer – Local authority" awards from Environmental Finance in 2018.

MuniFin was also the first Nordic SSA public sector credit institution to offer social finance, launching its inaugural social bond in 2020. Social finance promotes investments that produce widespread social benefits and serve the needs of its users in an exemplary way. MuniFin's social finance projects promote equality, communality, safety, welfare, or regional vitality. These bonds are an integral part of MuniFin's funding strategy.

Throughout the years as a green and social bond issuer, MuniFin has also been an active participant in developing Nordic recommendations on green bond impact reporting as part of the Nordic issuer group, which has jointly published the Position Paper on Green Bonds Impact Reporting.

Making the green transition with customers

Sustainability is a key part of MuniFin's mission, values and strategy, and is best made concrete through the business and the financing provided. Promoting the United Nations Sustainable Development Goals (SDGs) has played an important role in the planning of MuniFin's green and social finance offering. Fully owned by the Finnish public sector, MuniFin aims to address the national challenges of sustainable development highlighted in Finland's Voluntary National Review on the Implementation of the 2030 Agenda¹. These include reducing greenhouse gas emissions, inequality and social exclusion.

The projects financed by MuniFin's green and social finance also promote the strategic themes of the Finnish Government Programme² that builds on sustainable development. One of the strategic themes³ is to build a carbon neutral Finland that protects biodiversity. This includes the objective of Finland achieving carbon neutrality by 2035 and carbon negativity soon after.

Finland's national climate change policy⁴ includes several targets for greenhouse gas emission reductions. At the time of publication of this framework, the Climate Change Act⁵ had just been reformed⁶. The new act includes climate neutrality target by 2035, new emission reduction targets by 2030 and 2040, and the previous emission reduction target by 2050 was updated.

The government has drawn up an energy and climate strategy⁷, which considers and coordinates the Government Programme's energy and climate policies, the long- and medium-term climate change policy plans referred to in the Climate Change Act, and the EU's energy and climate targets for 2030. Several sector-specific initiatives support these objectives as well. Particularly relevant for MuniFin's customers and green finance activities are the national long-term renovation strategy (2020–2050) and the national low carbon construction roadmap which essentially also involves the reform of the Land Use and Building Act.

In addition, a total of 13 Finnish industries have formed their own low carbon roadmaps⁸. The roadmaps of the Confederation of Finnish Construction Industries and Real Estate Employers as well as the low carbon construction action plan published by Green Building Council Finland are particularly relevant for MuniFin's customers and green finance activities.

MuniFin's customers play a key role in green transition through climate change mitigation and adaptation, biodiversity conservation, pollution avoidance and the advancement of other SDGs and environmental objectives. They make decisions that have a direct impact for example on GHG emissions and biodiversity, and choices that impact the societal and economical structures and thus the decisions made by people and companies of their region.

The goals and plans described above are ambitious and require investments by the Finnish municipal and real estate sectors, MuniFin's clientele. MuniFin is in an excellent position to support its customers to reach these goals by financing their investments. The projects eligible for green finance take MuniFin's customers and Finland as a whole towards a more sustainable society.

1 <https://julkaisut.valtioneuvosto.fi/handle/10024/162268>

2 <https://valtioneuvosto.fi/en/marin/government-programme>

3 <https://valtioneuvosto.fi/en/marin/government-programme/carbon-neutral-finland-that-protects-biodiversity>

4 <https://ym.fi/en/finland-s-national-climate-change-policy>

5 <https://www.finlex.fi/fi/laki/alkup/2022/20220423>

6 <https://ym.fi/en/the-reform-of-the-climate-change-act>

7 <https://tem.fi/en/energy-and-climate-strategy>

8 <https://tem.fi/en/low-carbon-roadmaps-2035>

Responsible corporate governance

For MuniFin, the work relating to sustainability has quickly evolved over the past years. In 2017, MuniFin established a group-wide sustainability strategy, which is based on four key principles of sustainability.

Green finance plays an integral role in MuniFin's strategy. The four key principles have been integrated into MuniFin's everyday work: products, processes and governance. MuniFin monitors its progress and reports its performance on the key principles in a sustainability scorecard that is published as part of the annual sustainability reporting. One of the goals is to increase the share of green finance and social finance to 20 per cent of long-term customer finance by 2024. By the end of 2021 this share had reached 12 per cent and continues to grow.

1 Sustainable products and services

MuniFin's products and services create long-term benefits for the Finnish society and support the sustainability of public finances.

3 Employee wellbeing

MuniFin provides a physically and mentally safe working environment that promotes the general wellbeing of employees and offers equal opportunities.

2 Forerunner in sustainability

Through its operations, MuniFin promotes investments in ecologically, social, economically and humanely sustainable development in the Finnish Society. MuniFin's target is to especially accelerate the green transition.

4 Strong corporate governance

MuniFin promotes a level of responsibility that goes over and above minimum legal requirements in its decision making and structures.

Transparency on emissions

To get a further understanding of its own impact on the environment and society, MuniFin conducted a calculation and mapping of its own emissions (scopes 1, 2 and 3) as well as its financed emissions (part of scope 3) in 2022. Financed emissions have been calculated for both the long-term customer finance and the long-term liquidity portfolios. Understanding the current situation helps to plan further actions to reduce MuniFin's own carbon footprint as well as to support and encourage customers to reduce their emissions. This work will also increase MuniFin's understanding of the business risks associated with emissions.

As a next step, MuniFin is analysing possible emission reduction targets and how these targets could be reached. On the customer side too, work to reduce emissions is actively ongoing and many of the customers have already set their own carbon reduction targets (see e.g. the Hinku network⁹). MuniFin provides support in their carbon reduction activities with green finance or otherwise. This green transition also implies that data availability, data quality and calculation methodologies will be important areas of development in the future.

Managing ESG risks

As an overarching theme, sustainability has been integrated into a variety of governing policies and guidelines at MuniFin. Most noteworthy policies include Sustainability policy, Risk Appetite Framework, risk policies and risk inventory. In addition, MuniFin has published a Sustainable Investment Framework which outlines its key practices on long-term liquidity management.

MuniFin values ethical and transparent business relations with its customers, vendors, representatives, distributors and subcontractors. All partners are required to adhere to applicable legislation and regulations. As MuniFin continuously develops its internal practices relating to sustainability, the partners are expected to do the same. MuniFin also conducts an assessment of its customers' ESG risks as a part of their financial assessment. The assessment emphasises the impacts on the climate and the environment that can be realised through direct physical risks or as transitional risks in the work against climate change. The ESG factors have a direct effect on the internal risk classification, possibility of bankruptcy and the pricing of finance. MuniFin's business model does not include customers with high

ESG risks. MuniFin monitors its customers' ESG risks on a regular basis, and municipalities are monitored quarterly. The assessment may use information from third parties or outsourced services.

MuniFin's own exposure to ESG risks arises primarily from customer finance and long-term liquidity management operations. However, there are several risk mitigating factors, including the geographical location of MuniFin's customers and the guarantee structures. MuniFin continuously develops the available data, processes and practices to identify and manage ESG risks.

⁹ <https://www.hiilineutraalisuomi.fi/en-US/Hinku>

Updated Framework 2022

This framework aligns with the four core components of the Green Bond Principles (June 2021) published by the International Capital Markets Association (ICMA) and seeks to comply with best market practice.

Furthermore, to guide MuniFin's customers and direct green investment planning and execution towards common practices, the EU Taxonomy as well as the requirements of the proposed European Green Bond Standard (EU GBS) have been considered as guiding tools in defining eligibility criteria and overall framework structure. The eligibility criteria takes into account the EU Taxonomy Regulation and the EU Taxonomy Climate Delegated Act with the intention to apply them on a best efforts basis, where there are feasible practical applications and support by local regulation. In any case, MuniFin aims to assess all eligible green projects against the EU Taxonomy, on a best effort basis, to better understand current alignment and to further support the implementation of the EU Taxonomy.

MuniFin is a signatory to the UN Global Compact initiative and observes the International Labour Organization (ILO). With these and other agreements, MuniFin commits to adopting and supporting basic values and principles related to human rights and labour rights, as well as environmental and anti-corruption practices. MuniFin's green projects

will all take place in Finland and are subject to national laws and regulations regarding working and social conditions. Consequently, MuniFin's operations are found to be compliant with the minimum safeguards stipulated in the EU Taxonomy.

The updated Green Bond Framework is developed to better address environmental challenges as well as to enhance transparency for investors and stakeholders. The updated framework provides more transparency on the criteria MuniFin uses to evaluate the eligibility of projects. The revision of this framework also involved taking out two former project categories based on past years' green finance allocation, namely "waste management" and "environmental management". The former "energy efficiency" category is integrated into relevant sub-categories, while biodiversity and climate change adaptation measures are introduced as a sub-category to foster financing towards resilience and protection of ecosystems.

Through its long history of offering green finance, MuniFin has understood that decisions related to the sustainability aspects of a project are often made in the planning stage, and thus long before the customer applies for finance. Hence, setting out transparent and firm criteria guided by the EU Taxonomy, along with an open discussion with customers, is essential to further support the greenness of current and

future investments. MuniFin is taking steps towards this with the additional introduction of non-compulsory criteria established to promote certain aspects of green transition and support EU taxonomy aligned activities.

The transparent criteria and long experience related to green project evaluation within our customer sector together with additional internal resources have allowed MuniFin to make significant changes to the project evaluation and selection process. Whereas in the past MuniFin has relied on an external green evaluation team, the project evaluation and selection will from now on be conducted internally by MuniFin's own sustainability experts. This change allows for a more efficient process and a better customer experience, and allows for the accumulation of expertise within MuniFin. As the market evolves (e.g. regulatory development relating to the EU green Taxonomy), an internal process allows MuniFin to more easily introduce additional evaluation into the process. In addition to the controls within the evaluation and selection process, an external review is introduced to assure compliance with the Green Bond Framework.

MuniFin is open for dialogue with customers, investors and other market participants in order to enhance the framework and practices further.

2. Use of proceeds

The net proceeds of the green bonds issued by MuniFin will be used to finance or refinance MuniFin's green finance i.e. loans or leases granted to MuniFin's customers that in turn finance, in whole or in part, eligible green finance projects (hereinafter eligible green projects). Eligible green projects must provide clear environmental benefits and be conducted in accordance with the eligibility criteria defined below. Green bond net proceeds will be used exclusively to finance projects in Finland.

MuniFin's green bonds can be issued either for general green purposes or for category-specific purposes. Green bonds for general green purposes finance MuniFin's eligible green project portfolio, which consists of the four project categories set out in this framework. Category-specific green bonds can be allocated to loans and leases within one of the four specific project categories. Category-specific green bonds aim to highlight and promote specific environmental challenges and solutions within a specific area. In all cases, this green bond framework in its entirety will apply.

MuniFin acknowledges that some of the eligible green projects approved under previous frameworks (February 2016, August 2017, November 2018 and May 2019) may not be fully aligned with the eligibility criteria set out in this framework. For the avoidance of doubt, MuniFin assures that all green bond net proceeds raised under this framework will be allocated solely to such green finance that is aligned with the eligibility criteria stipulated in this framework. For all new green bonds issued, MuniFin will ensure that the amount of green finance aligned with the eligibility criteria specified in this framework is identified, and that it is greater than or equal to the green bond net proceeds to be issued, including the total volume of any other outstanding bonds issued under the applicable framework.

Projects directly powered by fossil fuels will be excluded under this framework. This also includes hybrid solutions, peak load and backup systems powered by fossil fuels, with the exemption of bioenergy facilities as further described in the applicable eligibility criteria.





1. Buildings¹⁰

UN Sustainable Development Goals: 7.3, 9.1, 9.4, 11.1, 11.3, 11.7, 12.2, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 7.1, 7.2, 7.3, 7.5, 7.6, 7.7



PROJECT CATEGORY AND ELIGIBILITY CRITERIA

1.1a Buildings

Buildings that have an Energy Performance Certificate (EPC) class A. The corresponding E-value requirements for EPC class A¹¹ are presented below.

Building type	E-value limit EPC A	Corresponding energy performance requirements ¹² -x%
Small residential buildings	80	-24%
Apartment buildings, minimum 3 storeys	75	-17%
Office buildings, health care centres	80	-20%
Commercial buildings	90	-33%
Hospitality buildings, including sheltered housing	90	-44%
Schools and day-care centres	90	-10%
Hospitals	150	-53%

In addition to the energy requirements stated above, the following non-compulsory criteria (i–iii) will be considered and promoted in order to make environmentally friendly investments more attractive to MuniFin's customers and facilitate the implementation of the EU Taxonomy.

- i. For buildings larger than 5000 m², the building undergoes testing for air-tightness and thermal integrity, upon completion.
- ii. For buildings larger than 5000 m², the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed
- iii. Buildings that self-supply renewable energy, have undergone an environmental impact analysis, make use of recyclable and low carbon materials, or have obtained a certification according to Nordic Swan Ecolabel, LEED Gold, BREEAM Very Good, The Building Information Foundation RTS 3 stars or better, or other equivalent certification with high ratings.

¹⁰ Any buildings directly heated by fossil fuels, including hybrid solutions and peak load and backup systems powered by fossil fuels, will be excluded from the Green Bond Framework.

¹¹ The relevant E-value for energy class A that is specified in applicable regulation during design phase. In the event that the national building code is revised, the changes will supersede the values described in the table.

¹² We expect the Finnish nearly zero-energy buildings requirement, once established, to be equivalent to the National Building Code of Finland, Decree of the Ministry of the Environment on the Energy Performance of New Buildings (1010/2017).

EU TAXONOMY ELIGIBLE ACTIVITIES

7.1 Construction of new buildings

7.7 Acquisition and ownership of buildings



1. Buildings¹⁰

UN Sustainable Development Goals: 7.3, 9.1, 9.4, 11.1, 11.3, 11.7, 12.2, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 7.1, 7.2, 7.3, 7.5, 7.6, 7.7



PROJECT CATEGORY AND ELIGIBILITY CRITERIA

EU TAXONOMY ELIGIBLE ACTIVITIES

1.1b Other buildings

Other buildings, such as transport and communications buildings, indoor swimming pools, indoor ice rinks, and portable buildings, where
 a) the building supplies at least 75% of its own energy from renewable sources, or
 b) there are other environmental benefits proven by a specialist study.

1.2 Renovations

Renovations that lead to an overall reduction in primary energy demand by at least 30% compared to the pre-investment situation.

7.2 Renovation of existing buildings

1.3 Individual energy efficiency measures

Installation of energy-efficient equipment such as energy efficient windows and doors, energy efficient light sources, ventilation and measures to ensure air-tightness, leading to a 30% improvement in energy efficiency compared to the pre-investment situation. This list is not exhaustive.

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

1.4 Renewable energy in buildings

Installation of renewable energy technologies such as solar power, heat pumps or heat recovery systems.

7.6 Installation, maintenance, and repair of renewable energy technologies

1.5 Energy saving project (ESCO)

Energy saving projects including ESCO, leading to a 30% improvement of energy efficiency compared to the pre-investment situation.

1.6 Biodiversity and adaptation measures

Measures that aim to promote and/or sustain biodiversity and ecosystem services, such as roof-top beehives, green roofs and walls, and adaptation measures such as flood barriers, reinforcement of the building structure and rainwater harvesting. This list is not exhaustive.

¹⁰ Any buildings directly heated by fossil fuels, including hybrid solutions and peak load and backup systems powered by fossil fuels, will be excluded from the Green Bond Framework.



2. Transportation¹³

UN Sustainable Development Goals: 9.1, 9.4, 11.2, 11.6, 13.1, 15.5

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 6.1, 6.3, 6.5, 6.7, 6.8, 6.10, 6.11, 6.13, 6.14, 6.15



PROJECT CATEGORY AND ELIGIBILITY CRITERIA

2.1 Public transportation

Public transport systems such as trains, metro, buses, trams, vessels, coaches and light rail systems with zero direct (tailpipe) CO₂ emissions

2.2 Supporting infrastructure for public transportation

Supporting infrastructure that is dedicated for zero direct emissions transport and promotes an improvement in the fleet efficiency, or an improved efficiency of the overall transport system.

2.3 Passenger cars and light commercial vehicles

Passenger cars and light commercial vehicles with zero direct (tailpipe) CO₂ emissions and related charging infrastructure.

2.4 Infrastructure for personal mobility¹⁴

Infrastructure dedicated to personal mobility such as pavements, bike lanes, pedestrian zones, street lighting and electrical charging installations for personal mobility devices. This list is not exhaustive.

2.5 Biodiversity and adaptation measures

Measures that aim to promote and/or sustain biodiversity and ecosystem services such as wildlife crossings, noise barriers, and climate change adaptation measures such as flood barriers, reinforcement of the infrastructure.

EU TAXONOMY ELIGIBLE ACTIVITIES

6.1 Passenger interurban rail transport

6.3 Urban and suburban transport, road passenger

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

6.11 Sea and coastal passenger water transport

6.14 Infrastructure for rail transport

6.15 Infrastructure enabling low-carbon road transport and public transport

6.5 Transport by motorbikes, passenger cars and light commercial vehicle

6.13 Infrastructure for personal mobility, cycle logistics

¹³ Not dedicated to the transport of fossil fuels.

¹⁴ Including the construction of roads, motorway bridges and tunnels and other infrastructure that are dedicated to pedestrians and bicycles, with or without electric assist.



3. Renewable energy

UN Sustainable Development Goals: 7.2

EU environmental objectives: Climate change mitigation (CCM)

Preliminary mapping of economic activities under the EU Taxonomy: CCM 4.1, 4.3, 4.6, 4.22, 4.24, 4.25



PROJECT CATEGORY AND ELIGIBILITY CRITERIA

3.1 Solar energy

Energy generation using solar power

3.2 Wind energy

Energy generation using wind power

3.3 Bioenergy

Facilities producing heat from biomass¹⁵ as well as supporting infrastructure, such as mobile fuel storage and unloading systems.

3.4 Geothermal energy

Geothermal energy-generation facilities and geothermal heating systems that operate at lifecycle emissions lower than 100g CO₂e/kWh.

3.5 Waste heat

Facilities that produce heat/cool using waste heat, such as excess heat from data centres.

EU TAXONOMY ELIGIBLE ACTIVITIES

4.1 Electricity generation using solar photovoltaic

4.3 Electricity generation from wind power

4.24 Production of heat/cool from bioenergy

4.6 Electricity generation from geothermal energy

4.22 Production of heat/cool from geothermal energy

4.25 Production of heat/cool using waste heat

¹⁵ Excluding use of food and feed crops. Use of fossil fuel is excluded, with the exemption of start-up, peak load or backup in case of breakdown.



4. Water and waste water management¹⁶

UN Sustainable Development Goals: 6.3, 6.4, 6.6, 9.1, 9.4, 14.1

EU environmental objectives: Climate change mitigation (CCM), Sustainable use and protection of water and marine resources

Preliminary mapping of economic activities under the EU Taxonomy: CCM 5.1, 5.2, 5.3, 5.4



PROJECT CATEGORY AND ELIGIBILITY CRITERIA

4.1 New waste water facilities

New treatment plants, systems and technologies designed for waste water collection (sewer network) and treatment where it is proven that substances (BOD7, phosphorus, nitrogen) have loading values better than required by the applicable environmental permit.

4.2 Existing waste water facilities

Measures at existing waste water facilities, including capacity expansion and upgrades, that achieve one of the following: a) improved treatment quality, b) at least 20% increase in energy efficiency, c) reduced use of chemicals or leakages, or d) recovering heat from waste water.

4.3 New water facilities

New water collection, treatment and supply systems enabling water purification, improved drinking water quality, improved reliable fresh water supply and/or increased water use efficiency.

4.4 Existing water facilities

Measures at existing water facilities, including capacity expansion and upgrades, that achieve one of the following: a) at least 20% increase in energy efficiency or b) reduced use of chemicals or leakages, or c) improved water quality.

EU TAXONOMY ELIGIBLE ACTIVITIES

5.3 Construction, extension and operation of waste water collection and treatment

5.4 Renewal of waste water collection and treatment

5.1 Construction, extension and operation of water collection, treatment and supply systems

5.2 Renewal of water collection, treatment and supply systems

¹⁶ Any facility directly heated by fossil fuels will be excluded under the Green Bond Framework.

3. Process for project evaluation and selection

The evaluation and selection of eligible green projects is a key process in ensuring that all proceeds from MuniFin green bonds are allocated to eligible green projects. MuniFin's green finance team ("GFT") is responsible for the process. The GFT consists of selected sustainability experts from the Customer Solutions division and the Capital Markets and Sustainability division. The sustainability experts must have the required skills and knowledge to evaluate project eligibility against the green finance eligibility criteria defined in this framework. The team may draw on expertise from other parts of the organisation as well as from outside MuniFin as deemed necessary.

For the avoidance of doubt, the GFT holds the right to remove any eligible green project already funded by green bond proceeds if the project for whatever reason no longer meets the eligibility criteria or is found to be or becomes controversial after approval. The decision to remove a project from the green project portfolio needs approval by two members of the GFT and documented appropriately.

In the event that an already approved eligible green project requires additional funding, a new evaluation process will be conducted if

- a) there is reason to believe that relevant characteristics on the project have changed, or
- b) the applicable criteria have been revised after the initial approval. These conditions aside, additional funding can be granted to already approved eligible green project without further evaluation.

The process for evaluating and selecting eligible green projects is carried out through the following steps:

- 1 MuniFin's customer submits an application for finance. Often this is preceded by discussions with the customer to identify their potentially eligible projects. The account manager assesses the project against the green finance eligibility criteria. At this stage, the account manager may consult the GFT.
- 2 The account manager handles the general finance application process, and in parallel the GFT collects information and supporting documentation from the customer to evaluate the eligibility for green finance, as well as the project's environmental and social impacts.
- 3 A member of the GFT prepares a project presentation that contains a description of the project, an evaluation of its alignment with the green finance eligibility criteria, impact information, as well as information on potential uncertainties and identified risks. The project presentation is supported with relevant documentation. The preparer of this presentation gives the project a green score based on the project's characteristics and proposes the project for approval. The account manager uses this green score to determine the margin discount for the project.
- 4 The process applies the four-eyes principle, which requires another member of the GFT to assess the project presentation and determine the approval of the project and its status as an eligible green finance project.
- 5 After approval, green finance is granted to the customer, and the approved green finance project is added to MuniFin's green project portfolio.
- 6 An annual external review is conducted to assess compliance with this Green Bond Framework and to assess the allocation of green bond proceeds (post-issuance review).

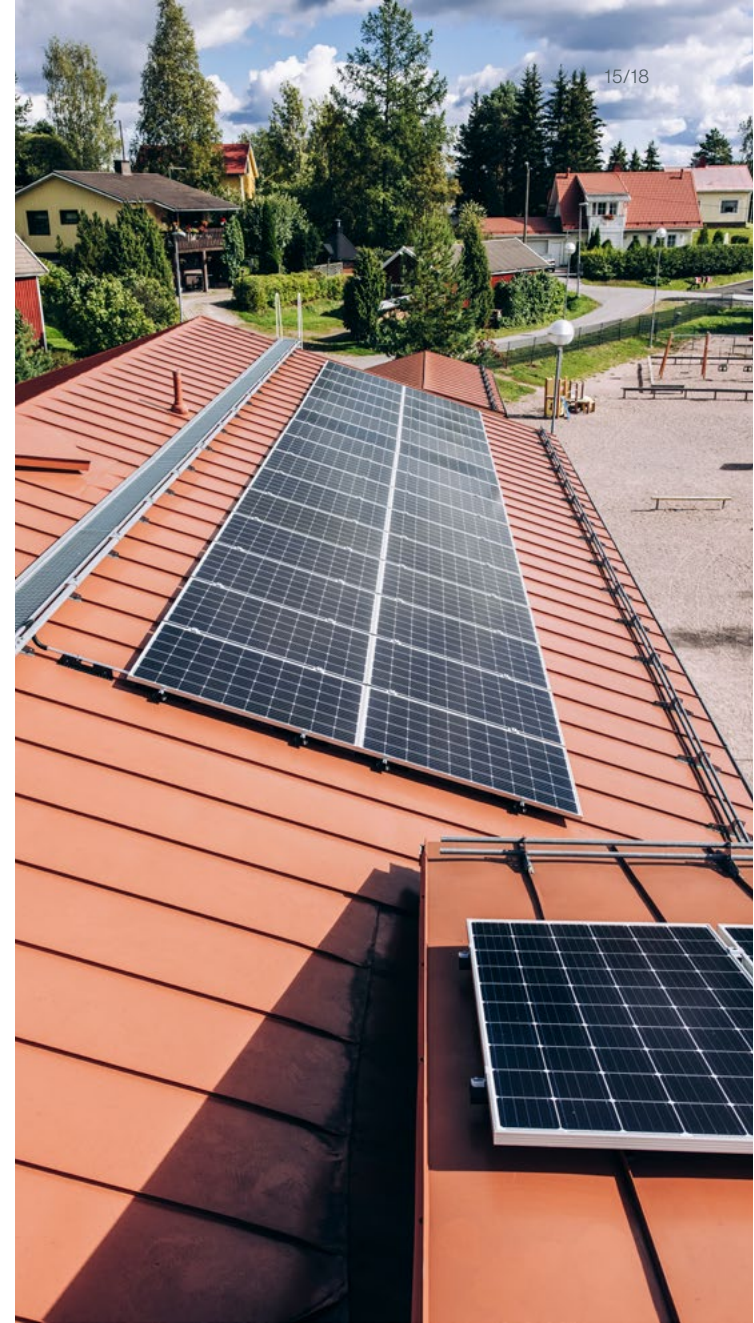
4. Management of proceeds

MuniFin applies a portfolio approach, meaning that one dynamic portfolio consisting of green bonds is used to finance one dynamic portfolio consisting of green finance that has been granted to eligible green projects. In practice this means that the proceeds of a single green bond are not allocated to specific projects within the eligible green project portfolio. According to the portfolio approach, MuniFin may refinance green bonds at maturity in order to maintain an appropriate balance between the outstanding amount of green bonds and the outstanding amount of green finance that has been granted to eligible green projects.

MuniFin tracks the development of the outstanding amount of green finance that has been granted to eligible green projects to ensure that the outstanding amount of green bonds does not exceed the outstanding amount of green finance.

An eligible green project is classified as a new project if the project has been completed less than 12 months before the date of project's approval by the GFT. The ambition is that the majority of the eligible green projects in the project portfolio are new. The actual distribution will be available to investors in the annual Green Impact Report.

It is MuniFin's intention to maintain an aggregate outstanding amount of green bonds that is equal to or less than the aggregated outstanding amount of green finance. There may be periods due to unanticipated events when the outstanding amount of green bonds exceeds the outstanding amount of green finance. In this case, the green bond proceeds will be placed in liquidity reserves and managed according to MuniFin's Sustainability Policy and Sustainable Investment Framework. MuniFin excludes investments directly connected to fossil energy in its liquidity reserves.



5. Reporting

To enable investors to follow the development and provide insight into prioritised areas, MuniFin will annually publish a Green Impact Report on the allocation and impact of green bonds issued. The report will be made available on MuniFin's website together with a separately published spreadsheet on the impact data. The impact reporting is based on the recommendations of the Nordic Position Paper on Green Bonds Impact Reporting. Data is provided on the project level, project category level and for the entire eligible green project portfolio. The Report will also, on a best effort basis, provide disclosure in relation to the EU Taxonomy.

Allocation reporting

The allocation report will, to the extent feasible, include the following components:

- | | |
|------|---|
| i. | Outstanding amount of green bonds and green finance |
| ii. | Proceeds allocated to eligible green projects on a project level and project category level |
| iii. | Amount and share of unallocated proceeds, if any |
| iv. | Contributions to the Sustainable Development Goals (SDGs) |

Impact reporting

The impact assessment includes both quantitative and qualitative impacts. The methodology, baselines and assumptions for deriving the impact indicators will be outlined in the Green Impact Report. The impact is based on ex-ante evaluation conducted prior to project implementation. The impact of the eligible green projects is calculated based MuniFin's estimated share of the project's total finance.

The impact assessment will, if applicable, be based on the following impact indicators:

Buildings

- | | |
|------|--|
| i. | Annual energy savings (avoided/reduced) |
| ii. | Annual CO ₂ emissions (avoided/reduced) |
| iii. | Description of the project, as applicable |

Transportation

- | | |
|-----|--|
| iv. | Annual CO ₂ emissions (avoided/reduced) |
| v. | Description of the project, as applicable |

Renewable energy

- | | |
|-------|--|
| vi. | Renewable energy production capacity |
| vii. | Annual production of renewable energy |
| viii. | Annual CO ₂ emissions (avoided/reduced) |
| ix. | Description of the project, as applicable |

Water and waste water management

- | | |
|-------|--|
| x. | Annual amount of treated waste water in existing plants immediately after project completion (m ³) |
| xi. | Annual amount of treated waste water with increased capacity in the future (m ³) |
| xii. | Annual production of renewable energy (MWh) |
| xiii. | Description of the project, as applicable |

MuniFin is committed to promoting and developing its impact reporting and as a result, MuniFin is open to any proposals on potential improvements. MuniFin's Green Impact Reports are publicly available on MuniFin's web page.

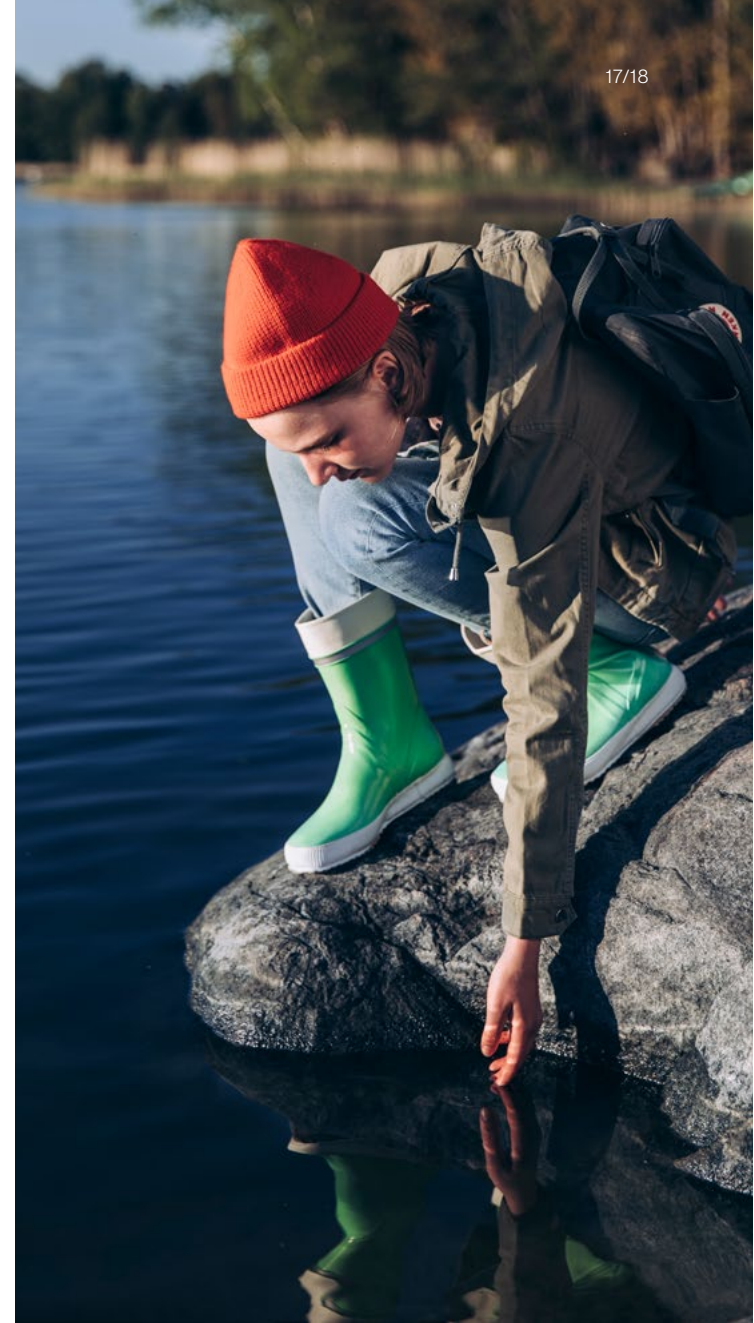
6. External review

Pre-issuance review (Second Party opinion)

MuniFin has engaged Cicero Shades of Green as an external reviewer to issue an independent Second Party Opinion of this Green Bond Framework, including an assessment of the EU Taxonomy alignment. The Green Bond Framework and the second party opinion will be publicly available on MuniFin's website, together with the post-issuance review and the annual Green Impact Report once published.

Post-issuance review (External verification)

An independent external party, appointed by MuniFin will on an annual basis provide a review and confirm that green bond proceeds have been allocated to green finance that has been granted to eligible green projects.



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Municipality Finance Plc

Jaakonkatu 3 A, P.O. Box 744

00101 Helsinki

Tel. +358 9 6803 5666

www.munifin.fi

info@munifin.fi