

Green Bond Framework 2025

MuniFin



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Strategy and rationale

About MuniFin

Municipality Finance Plc ("MuniFin") is one of Finland's largest credit institutions and the leading provider of financing services to Finland's municipal sector, wellbeing service counties sector and entities providing affordable social housing.

MuniFin is owned by the Finnish public sector: Finnish municipalities, Wellbeing services counties, the State of Finland, and Keava, 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.

The core mandate of MuniFin is to ensure that its customers have access to affordable financing in all market conditions. 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 its operations. Financed projects include schools, day care centres, hospitals, healthcare centres, libraries, public transportation, sewerage, rental apartments, and housing for people with special needs, inter alia.

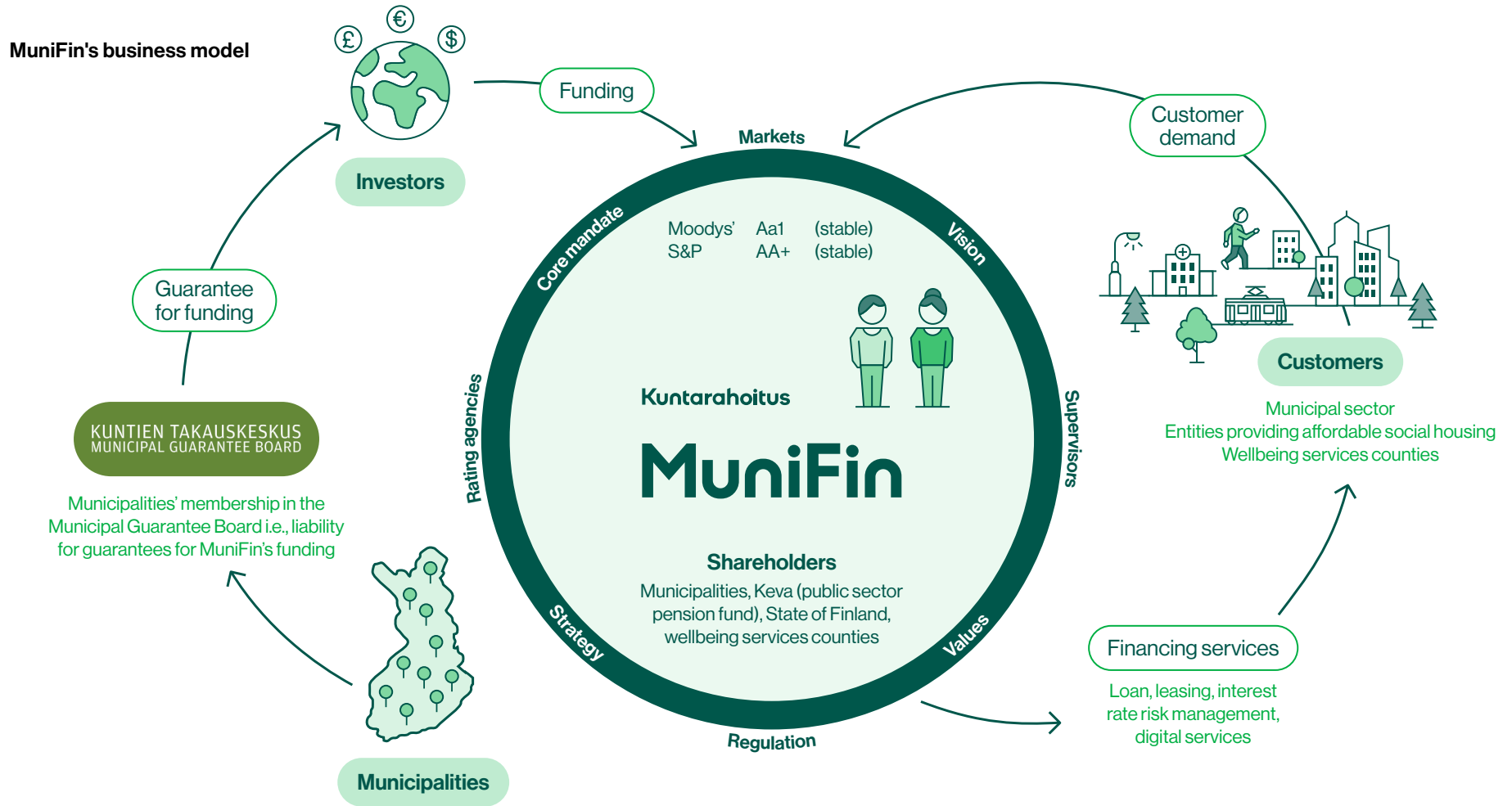
History as a green and social bond issuer

The aim of MuniFin's green and social finance is to create positive impacts 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 a low carbon and climate resilient economy. MuniFin is an award-winning green bond issuer¹ and the green bonds have been well-received by investors.

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.

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.

¹ Including awards such as the Best SSA ESG Bond Issuer by CMD Portal in 2024 and 2025, TopDeal by CMD portal in 2023, and the Green Bond of the Year by Environmental Finance in 2018 and 2021.



Updated Green Bond Framework

The updated Green Bond Framework has been developed to better address environmental challenges and enhance transparency for investors and stakeholders. It strengthens selected eligibility criteria to further reflect the evolution of environmental standards in Finland.

While the eligible projects in this updated framework remain largely consistent with the previous – August 2022 dated – version of the framework, two new project categories have been introduced: “Climate Change Adaptation” and “Biodiversity”. These additions expand the scope of eligible projects and enhance the framework’s alignment with broader environmental goals.

The framework places greater emphasis on embodied emissions, by including life-cycle global warming potential (GWP) limit values as mandatory requirements for all new constructions. In addition, to further incentivise life-cycle-oriented measures, MuniFin may award an additional margin discount to eligible projects financed under this framework that exceed the eligibility criteria outlined in the framework or possess additional climate or environmental features that go beyond these criteria.

In the previous version of the framework, non-compulsory criteria were introduced to promote specific aspects of the green transition and to facilitate the implementation of the EU taxonomy. These criteria have been revised and enhanced in this update, primarily by promoting the compliance with one or more DNSH criteria and introducing biodiversity supporting measures, to further encourage sustainable practices and enhance alignment with EU environmental objectives. The more of the non-compulsory criteria are met, the greater the additional margin discount.

Alignment with market standards

This framework aligns with the four core components of the Green Bond Principles 2025 published by the International Capital Markets Association (ICMA) and seeks to comply with best market practice.

To guide MuniFin’s customers and steer green investments and execution towards common practices, the EU Taxonomy and its criteria for substantial contribution has been considered as a guiding tool in defining the eligibility criteria for green projects. The eligibility criteria take 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.

MuniFin acknowledges the importance of the EU Taxonomy as a common definition of sustainable activities. However, it is important for MuniFin and its customers that the framework facilitates the financing of a wide range of investments that are needed for the green transition and contribute to the achievement of Finland’s sustainability goals. Thus, MuniFin considers deviations from the criteria and activities of the EU taxonomy necessary, particularly regarding the Do-No-Significant-Harm (DNSH) criteria, where data remains incomplete and unavailable at this point. Nonetheless, taxonomy-related information is gathered from clients during the project evaluation and selection process phase.

Sustainability governance

The Board of Director's ("The Board") task is to approve MuniFin's strategy, which includes key strategic choices, priorities and goals related to sustainability. The Board monitors the development of MuniFin's operating environment and observes the sustainability-related development needs, such as regulatory changes and the expectations of its customers and key stakeholders. The Board approves MuniFin's Sustainability Policy and ethical principles. The Board also approves Sustainability Agenda, which summarises the key themes and goals of the MuniFin's sustainability work. The Executive Management Team is tasked with the implementation of the strategy set by the Board, within the risk appetite approved by the Board. Each department plays a crucial role in integrating sustainability into MuniFin's operations.

MuniFin's sustainability work is coordinated by the sustainability virtual team, which consists of sustainability experts and other relevant persons from different divisions and functions. The sustainability virtual team is tasked with ensuring that sustainability is considered across MuniFin and that sustainability-related projects are progressing in

accordance with the Sustainability Agenda and MuniFin's strategy. The sustainability virtual team oversees the annual planning and high-level monitoring of MuniFin's sustainability work and coordinates its development. The team tracks projects that are currently underway and follows current market developments and expectations.

MuniFin is also a signatory to the United Nations Global Compact. This membership demonstrates we are committed to operating in ways that meet and promote fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption wherever they have a presence. We expect any partners we work with to also adhere to responsible practices.

Sustainability strategy

Sustainability is one of the key components in MuniFin's strategy and it is implemented in the business model through MuniFin's Sustainability Agenda "Enabler of sustainable welfare in society". The agenda summarises the main themes and goals of our sustainability work as well as clarifies the group's role as a public sector financier in achieving international and national targets.

The agenda is built on two main themes: foundation of the Finnish welfare society and driver of the green transition for which our green and social bond frameworks are the key tools. In line with these themes, our goal is to contribute to building and developing the foundations of a sustainable welfare society as well as promoting investments that benefit the climate and environment.

MuniFin is committed to increasing the proportion of sustainable finance in the lending portfolio and setting emission reduction and supporting targets for its portfolio and other operations. Our current goals and targets can be found in the present Sustainability Agenda. We are committed to reviewing the goals and performance regularly.

Foundation of the Finnish welfare society

Our raison d'être and the main duty of our customers is to build and develop the Finnish welfare state.

Rooted in the Nordic welfare state model and robust local governance, Finland has a deep-seated tradition of investing in wellbeing. Finland guarantees its citizens high-quality healthcare, education and social services, which give people equal opportunities for moving forward and finding success. Starting from early childhood education and care, the education system fosters skill development and boosts employment and social developments. Elderly care and social services ensure that the weakest are also taken care of.

Close collaboration between municipalities and local companies creates opportunities for economic activity and innovations. Various culture and leisure activities support mental wellbeing and community spirit, which also directly

reduces the need for healthcare and other services.

Municipalities also invest in making their surroundings pleasant and promoting sustainable development, which supports wellbeing in the long term.

MuniFin's social finance promotes investments that produce widespread social benefits and serve the needs of their users in an exemplary way. Our social finance projects promote equality, communality, welfare and regional vitality.

Driver of the green transition

Our customers play a key role in improving Finland's environmental and climate resilience and in achieving the Paris Agreement goals. The municipal and affordable social housing sectors impact directly and indirectly for the nations sustainability efforts through decisions and investments in energy production, energy efficiency, transportation, land use planning, forestry, waste management, circular economy

solutions and water and wastewater management. MuniFin's green finance promotes green transition and climate-resilient growth and is a vital part of our sustainability strategy and climate and environmental risk management.

Our sustainable finance addresses SDG challenges

Promoting the United Nations Sustainable Development Goals (SDGs) plays an important role in the planning of MuniFin's sustainable finance offering. As a public sector lender, we want to address the national challenges of sustainable development highlighted in Finland's Voluntary National Review on the implementation of the 2030 Agenda, such as reducing greenhouse gas emissions, inequality and social exclusion.

Our green and social finance are also designed to promote the strategic themes of the Finnish Government Programme that builds on Finland being strong and committed country that can withstand global storms. One of these themes is "Finland and clean energy" which includes, among others, Finland's commitment to meeting emission reduction targets and moving towards carbon neutrality followed by carbon negativity. Another theme is "a sustainable and well-functioning welfare society" which, for example, focuses on improvements in the availability of health and social services and increasing the effectiveness of services to better meet societal demands.

The investments of the Finnish municipal and social housing sectors – MuniFin's customers – play a key role in advancing solutions designed to promote the achievement of the SDGs and the strategic goals of the Finnish Government Programme.

Green finance contribution to UN SDGs



Social finance contribution to UN SDGs



Management of ESG risks

MuniFin's risk management approach includes a careful assessment of ESG-risks and especially climate-related and environmental risks. MuniFin has integrated the short-, medium- and long-term impacts of climate-related and environmental risk (C&E risk) factors into its comprehensive risk management framework. Additionally, MuniFin's overall Risk and Governance Framework contains risk management policies and principles for all identified risk areas, including ESG-risks.

In its double materiality analysis MuniFin has identified ESG-risks that are material for MuniFin and its operations. MuniFin evaluates ESG-risks across all traditional risk categories using multiple methods. To identify relevant C&E risks and assess MuniFin's exposure, the Risk Management function conducts an additional annual C&E risks materiality assessment. The materiality assessment covers the lending portfolio, investment portfolio, critical outsourcing arrangements and MuniFin's own operations. It includes a qualitative analysis to identify relevant C&E risks and a quantitative analysis to measure these risks. The materiality

is evaluated in the short-, medium- and long-term, utilizing different forward-looking climate scenarios when applicable. The short-, medium- and long-term effects of environmental factors and risks are applied especially when assessing MuniFin's economic vulnerability across different scenarios and time horizons.

MuniFin's exposure to ESG risks is considered low aligning with the findings of the materiality analysis. The primary risk mitigation approach for all risks, including ESG risks, is embedded in MuniFin's business model. According to the Act on the Municipal Guarantee Board (MGB), MuniFin Group can use MGB-guaranteed funding only for limited customer base consisting of local and regional government entities and affordable housing organizations, which are considered low-risk entities. Accordingly, MuniFin's strategy cannot be extended to include higher-risk customers. Additionally, the central government provides a deficiency guarantee in respect of loans granted to affordable social housing organizations. Such guarantees significantly mitigate the risks associated with real-estate collaterals: the deficiency guarantees cover the amount that cannot be covered by

liquidating the respective real estate collateral. Finnish legislation ensures that municipalities cannot be declared bankrupt and have independent and unlimited right to levy taxes. This means that municipalities have a reliable source of revenue, and they are able to meet their financial obligations.

Other mitigation measures for C&E risks have been identified by leveraging industry best practices to mitigate the entity's exposure to ESG risks. MuniFin's approach to identifying appropriate mitigation methods is based on a thorough assessment of its ESG risk exposures and the financial vulnerabilities associated with these risks. Furthermore, many of these risks are mitigated through monitoring ESG and C&E metrics. By ensuring that these metrics remain within target levels, MuniFin can proactively manage potential risks and maintain alignment with its sustainability goals.

In addition, MuniFin uses sector specific questionnaire to measure and manage ESG-risks of its clients. For Municipalities MuniFin uses an external service provider to produce an independent ESG score for each municipality. Additionally, MuniFin actively supports its customers in

tackling significant sustainability challenges by promoting sustainable choices and investments. This is achieved through information sharing, providing competitive pricing and conducting an impact assessment. By promoting sustainable investments, MuniFin also manages its own exposure to ESG-risks through its customers. For example, energy-efficient construction makes real estate less prone to transition risks. Therefore, MuniFin's strategic target to increase the proportion of green and social finance mitigates the ESG-risks from its customer portfolio.

Sustainability reporting

MuniFin publishes its key sustainability indicators in the sustainability scorecard found in the annual report. Our sustainability indicators are based on our strategy, the goals set out in sustainability agenda and the materiality analysis.

Financed emissions

MuniFin joined the Partnership for Carbon Accounting Financials (PCAF) in 2022. This industry led initiative aims to develop and implement a standardised method for greenhouse gas emissions (GHG) accounting for the financial industry to align financial portfolios with the Paris Agreement.

MuniFin released its first financed emissions report according to PCAF methodology in 2024 disclosing the greenhouse gas emissions associated with its lending and investment portfolios.



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, in whole or in part, finance 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 in this framework. Green bond net proceeds will be used exclusively to finance projects in Finland.















Eligible green projects include projects related to six project categories: (a) Buildings, (b) Transportation, (c) Renewable energy, (d) Water and wastewater management, (e) Climate change adaptation, and (f) biodiversity. Climate change adaptation and biodiversity are new project categories compared to our August 2022 dated framework.

MuniFin acknowledges that some of the eligible green projects approved under previous frameworks (February 2016, August 2017, November 2018, May 2019 and August 2022) may not be fully aligned with the eligibility criteria set out in this framework. For this reason, bonds issued under this framework can only finance projects that align with its eligibility criteria.

In addition, MuniFin will ensure that the aggregate amount of green finance aligned with the eligibility criteria specified in this framework is greater than or equal to the aggregate amount of net proceeds of green bonds issued under this framework.












Projects directly powered by fossil fuels will be excluded under this framework. However, there are some project category specific refinements disclosed together with the eligibility criteria which relate to the possible technical or regulatory side behind the projects.

To promote environmentally friendly investments, MuniFin offers a margin discount to approved green finance projects. This discount varies depending on the project's environmental impact, as assessed by the Sustainable Finance Team. The level of impact is determined by whether the project exceeds the eligibility criteria outlined in the framework or possesses additional climate or environmental features that go beyond these criteria. Examples of such features include compliance with one or more of the DNSH criteria, high environmental certification in buildings, testing for air-tightness, conducting lifecycle GWP calculations as well as landscaping.

MuniFin lending category	Subcategories	UN Sustainable Development Goals	EU taxonomy eligible activities
 <p>Buildings</p>	<ul style="list-style-type: none"> 1.1 Construction of new buildings 1.2 Renovations 1.3 Individual energy efficiency measures 1.4 Renewable energy in buildings 	     	<p>CCM</p> <ul style="list-style-type: none"> 7.1. Construction of new buildings 7.2. Renovation of existing buildings 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 7.6. Installation, maintenance, and repair of renewable energy technologies 7.7. Acquisition and ownership of buildings
 <p>Transportation</p>	<ul style="list-style-type: none"> 2.1 Public transportation 2.2 Supporting infrastructure for public transportation 2.3 Passenger cars, light commercial vehicles and other vehicles 2.4 Infrastructure for personal mobility 	   	<p>CCM</p> <ul style="list-style-type: none"> 6.1. Passenger interurban rail transport 6.3. Urban and suburban transport, road passenger transport 6.5. Transport by motorbikes, passenger cars and light commercial vehicles 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 6.13. Infrastructure for personal mobility, cycle logistics 6.14. Infrastructure for rail transport 6.15. Infrastructure enabling low-carbon road transport and public transport
 <p>Renewable energy</p>	<ul style="list-style-type: none"> 3.1 Solar energy 3.2 Wind energy 3.3 Bioenergy 3.4 Geothermal energy 3.5 Waste heat 3.6 Storage of energy 		<p>CCM</p> <ul style="list-style-type: none"> 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power 4.6. Electricity generation from geothermal energy 4.10. Storage of electricity 4.11. Storage of thermal energy 4.12. Storage of hydrogen 4.22. Production of heat/cool from geothermal energy 4.24. Production of heat/cool from bioenergy 4.25. Production of heat/cool using waste heat

Use of proceeds



MuniFin lending category	Subcategories	UN Sustainable Development Goals	EU taxonomy eligible activities
 Water and wastewater management	4.1 New wastewater facilities 4.2 Existing wastewater facilities 4.3 New water facilities 4.4 Existing water facilities	  	CCM 5.1. Construction, extension and operation of water collection, treatment and supply systems 5.2. Renewal of water collection, treatment and supply systems 5.3. Construction, extension and operation of wastewater collection and treatment 5.4. Renewal of wastewater collection and treatment WTR 2.1. Water supply
 Climate change adaptation	5.1 Adaptation measures	  	CCA 14.2. Flood risk prevention and protection infrastructure WTR 3.1. Nature-based solutions for flood and drought risk prevention and protection
 Biodiversity	6.1 Biological diversity and healthy ecosystems	 	BIO 1.1. Conservation, including restoration, of habitats, ecosystems and species

Eligible green projects



Buildings²

EU environmental objectives: Climate change mitigation (CCM)

UN SDG:



Eligibility criteria

1.1 Construction of new buildings

The construction of buildings meeting one of the following (a, b or c):

- a An E-value limit as defined below. In addition, projects approved after 18th of August 2025 should comply with the limit value for life-cycle Global warming potential (GWP)³.
- b Buildings that have an energy class A⁵ and a GWP 10% lower than the GWP Limit value.

EU taxonomy eligible activities

CCM

7.1. Construction of new buildings

7.7. Acquisition and ownership of buildings

Building type	E-value limit	Corresponding reduction compared to the NZEB requirements ⁴	GWP Limit value (kgCO ₂ e/m ² /a)
Small residential buildings	80	-24%	16
Apartment buildings, minimum 3 storeys	72	-20%	16
Office buildings, health care centres	80	-20%	20
Commercial buildings	90	-33%	22
Hospitality buildings, including sheltered housing	90	-44%	25
Schools and day-care centres	80	-20%	20
Hospitals	150	-53%	29

² Buildings directly using fossil fuels are excluded, with the exemption for backup systems in place for emergency or regulatory requirements

³ Or corresponding level in upcoming legislation. The life-cycle Global Warming Potential (GWP) is conducted for each stage of the building's life cycle according to the national climate declaration (Ympäristöministeriön asetus rakennuksen ilmastoselytyksestä ja rakennustuoteluettelosta 1027/2024

⁴ The nearly zero-energy building (NZEB) requirements are assumed to be equivalent to the requirements laid out in the National Building Code of Finland, Decree of the Ministry of the Environment on the Energy Performance of New Buildings (1010/2017).

⁵ As per energy certificate levels in 2018 legislation or corresponding level in upcoming legislation

Eligible green projects



Buildings (continued)

EU environmental objectives: Climate change mitigation (CCM)

Eligibility criteria

1.1 Construction of new buildings

- C** Buildings with no NZEB requirements⁶ that have a GWP 10% below the GWP limit value, and where energy efficiency measures have been implemented. These measures may include e.g. the integration of waste heat or renewable energy sources.

Building type	GWP Limit value (kgCO ₂ e/m ² /a)
Transportation buildings	24
Indoor swimming pools	24
Indoor ice rinks	24
Portable buildings	24

In addition to the mandatory requirements stated above (a, b or c), the following **non-compulsory criteria** (i–iv) 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. Compliance with one or more of the DNSH criteria related to the EU taxonomy economic activity 7.1 Construction of new buildings. Each DNSH criteria will be considered and promoted separately in the assessment.
- ii. Obtained environmental certification according to Nordic Swan Ecolabel, The Building Information Foundation YL 4 stars or better, LEED Gold, BREEAM Very Good, or other equivalent certification with high ratings.
- iii. The building undergoes testing for air-tightness and thermal integrity upon completion.
- iv. Biodiversity and stormwater management on site are supported by rich and varied landscaping.

EU taxonomy eligible activities

CCM

- 7.1. Construction of new buildings
- 7.7. Acquisition and ownership of buildings

⁶ This includes for example transport buildings, indoor swimming pools and indoor ice rinks

Eligible green projects



Buildings (continued)

EU environmental objectives: Climate change mitigation (CCM)

Eligibility criteria

1.2 Renovations

Renovations that lead to at least a 30% improvement in energy efficiency compared to the pre-investment situation or energy class A⁷.

The following **non-compulsory criteria** (i–iii) will also be considered and promoted to make environmentally friendly investments more attractive to MuniFin's customers and facilitate the implementation of the EU Taxonomy.

- i. Compliance with one or more of the DNSH criteria related to the EU taxonomy economic activity 7.2 Renovations of existing buildings. Each DNSH criteria will be considered and promoted separately in the assessment.
- ii. The Lifecycle GWP is calculated.
- iii. Biodiversity and stormwater management on site are supported by rich and varied landscaping.

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.

1.4 Renewable energy in buildings

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

EU taxonomy eligible activities

CCM

7.2. Renovation of existing buildings

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

7.6. Installation, maintenance, and repair of renewable energy technologies

⁷ As per energy certificate levels in 2018 legislation or corresponding level in upcoming legislation

Eligible green projects



Transportation⁸

EU environmental objectives: Climate change mitigation (CCM)



UN SDG:

Eligibility criteria

2.1 Public transportation

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

2.2 Supporting infrastructure for public transportation

Supporting infrastructure that is dedicated to zero direct emissions transport such as stations, bridges and tunnels.

2.3 Passenger cars, light commercial vehicles and other vehicles

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

2.4 Infrastructure for personal mobility

Infrastructure dedicated to personal mobility such as pavements, bike lanes, pedestrian zones, energy efficient street lighting and electrical charging installations for personal mobility devices.

EU taxonomy eligible activities

CCM

- 6.1. Passenger interurban rail transport
- 6.3. Urban and suburban transport, road passenger transport
- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- 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
- 6.13. Infrastructure for personal mobility, cycle logistics
- 6.14. Infrastructure for rail transport
- 6.15. Infrastructure enabling low-carbon road transport and public transport

⁸ Not dedicated to the transport of fossil fuels.

Eligible green projects



Renewable energy

EU environmental objectives: Climate change mitigation (CCM)



UN SDG:

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 biomass⁹ as well as supporting infrastructure.

3.5 Waste heat

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

3.4 Geothermal energy

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

3.6 Storage of energy

Energy storage solutions, including batteries, thermal storage, and green hydrogen, pumped hydropower storage, designed to manage the intermittency of renewable energy. This list is not exhaustive.

EU taxonomy eligible activities

CCM

- 4.1. Electricity generation using solar photovoltaic technology
- 4.3. Electricity generation from wind power
- 4.6. Electricity generation from geothermal energy
- 4.10. Storage of electricity
- 4.11. Storage of thermal energy
- 4.12. Storage of hydrogen
- 4.22. Production of heat/cool from geothermal energy
- 4.24. Production of heat/cool from bioenergy
- 4.25. Production of heat/cool using waste heat

⁹ Excluding use of food and feed crops. Use of fossil fuel is excluded, with the exemption of start-up, or backup in case of breakdown.

Eligible green projects



Water and wastewater management¹⁰

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



UN SDG:

Eligibility criteria

4.1 New wastewater facilities

New treatment plants, systems and technologies designed for wastewater 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.

If a large treatment plant, then a heat recovery system is required.

4.2 Existing wastewater facilities

Measures at existing wastewater facilities, including capacity expansion and system upgrades, that achieve one of the following:

a) improved treatment quality, b) at least 20% increase in energy efficiency, c) at least 30% reduction in the leakage rate, d) reduced use of chemicals, e) recovering heat from wastewater.

4.3 New water facilities

New water collection, treatment and supply systems, that achieve one of the following a) the net average energy consumption of the water system is below 0.5 kWh per cubic meter produced water supply, b) the leakage level of the water supply system section covered by the investment is equal to or lower than 1.5¹¹.

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

CCM

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

5.2. Renewal of water collection, treatment and supply systems

5.3. Construction, extension and operation of wastewater collection and treatment

5.4. Renewal of wastewater collection and treatment

WTR

2.1. Water supply

¹⁰ Any facility directly heated by fossil fuels will be excluded under the Green Bond Framework.

¹¹ Calculated using the Infrastructure Leakage Index (ILI) rating method or other adequate calculation method.

Eligible green projects



Climate change adaptation

EU environmental objectives: Climate change adaptation (CCA), Sustainable use and protection of water and marine resources (WTR)



Eligibility criteria

5.1 Adaptation measures

Physical or nature-based adaptation solutions to reduce climate-related risks in e.g. the built environment, infrastructure or sensitive environments such as flood barriers, reinforcement of the building structure and rainwater harvesting.

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

EU taxonomy eligible activities

CCA

14.2. Flood risk prevention and protection infrastructure

WTR

3.1. Nature-based solutions for flood and drought risk prevention and protection



Biodiversity

EU environmental objectives: Protection and restoration of biodiversity and ecosystems (BIO)



Eligibility criteria

6.1 Biological diversity and healthy ecosystems

Creation and conservation activities to maintain ecosystems, species, and habitats in good condition, or to re-establish or restore them towards good condition, which may include expanding their area or range including but not limited to:

- Conservation of key biodiversity areas through the establishment of protected areas (including biodiversity credits for compensation).
- Rewilding through creating and restoring habitats for wildlife, including developing biodiversity corridors.
- Wetland conservation/restoration to provide and sustain ecosystem services (including biodiversity credits for compensation).

EU taxonomy eligible activities

BIO

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

Process for project evaluation and selection

The evaluation and selection of eligible green projects is a key process in ensuring that all net proceeds from MuniFin green bonds are allocated to eligible green projects. MuniFin's Sustainable Finance Team ("SFT") is responsible for the process. The SFT consists of selected sustainability experts within MuniFin. 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 SFT holds the right to remove any eligible green project already funded by green bond net 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 SFT and will be documented appropriately.

Further details on MuniFin's approach to identifying and managing perceived ESG risks in its lending process are available on page 9–10 under the section Management of ESG risks.

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

- a) there is a 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 SFT.
- 2.** The account manager handles the general finance application process, and in parallel the SFT 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 SFT 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 SFT 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).

Management of proceeds

The net proceeds of MuniFin's green bond issuance will be tracked and managed by MuniFin's Funding team. MuniFin applies a portfolio approach, meaning that one dynamic portfolio consisting of green bonds is used to finance another dynamic portfolio consisting of green finance that has been granted to eligible green projects. In practice this means that the net 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 SFT. 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 financing that is at least equal to the aggregated outstanding amount of green bonds. There may be periods due to unanticipated events such as early repayments when the outstanding amount of green bonds exceeds the outstanding amount of green finance. In this case, the green bond net 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.

Reporting

To enable investors to follow the development and provide insight into prioritised areas, MuniFin will annually, until full allocation and in the event of any material changes, 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:

- Outstanding amount of green bonds and green finance
- Net proceeds allocated to eligible green projects on a project level and project category level
- Amount and share of unallocated net proceeds, if any
- 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 on 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 CO₂ emissions (avoided/reduced)
- iii. Description of the project, as applicable

Transportation

- iv. Annual CO₂ 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 CO₂ emissions (avoided/reduced)
- ix. Description of the project, as applicable

Water and waste water management

- x. Annual amount of treated wastewater in existing plants immediately after project completion (m³)
- xi. Annual amount of treated waste water with increased capacity in the future (m³)
- xii. Annual production of renewable energy (MWh)
- xiii. Description of the project, as applicable

Climate Change adaptation

- xiv. Description of the project, as applicable
- xv. Area protected

Biodiversity

- xvi. Description of the project, as applicable
- xvii. Area created, conserved, or restored (in ha and % of total area)

MuniFin is committed to promoting and developing its impact reporting and as a result, MuniFin welcome development proposals. MuniFin's Social Impact Reports are publicly available on MuniFin's website.

External review

Pre-issuance review (Second Party Opinion)

MuniFin has engaged S&P Global Ratings as an external reviewer to issue an independent Second Party Opinion of this Green Bond Framework. 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 net proceeds have been allocated to green finance that has been granted to eligible green projects.



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