



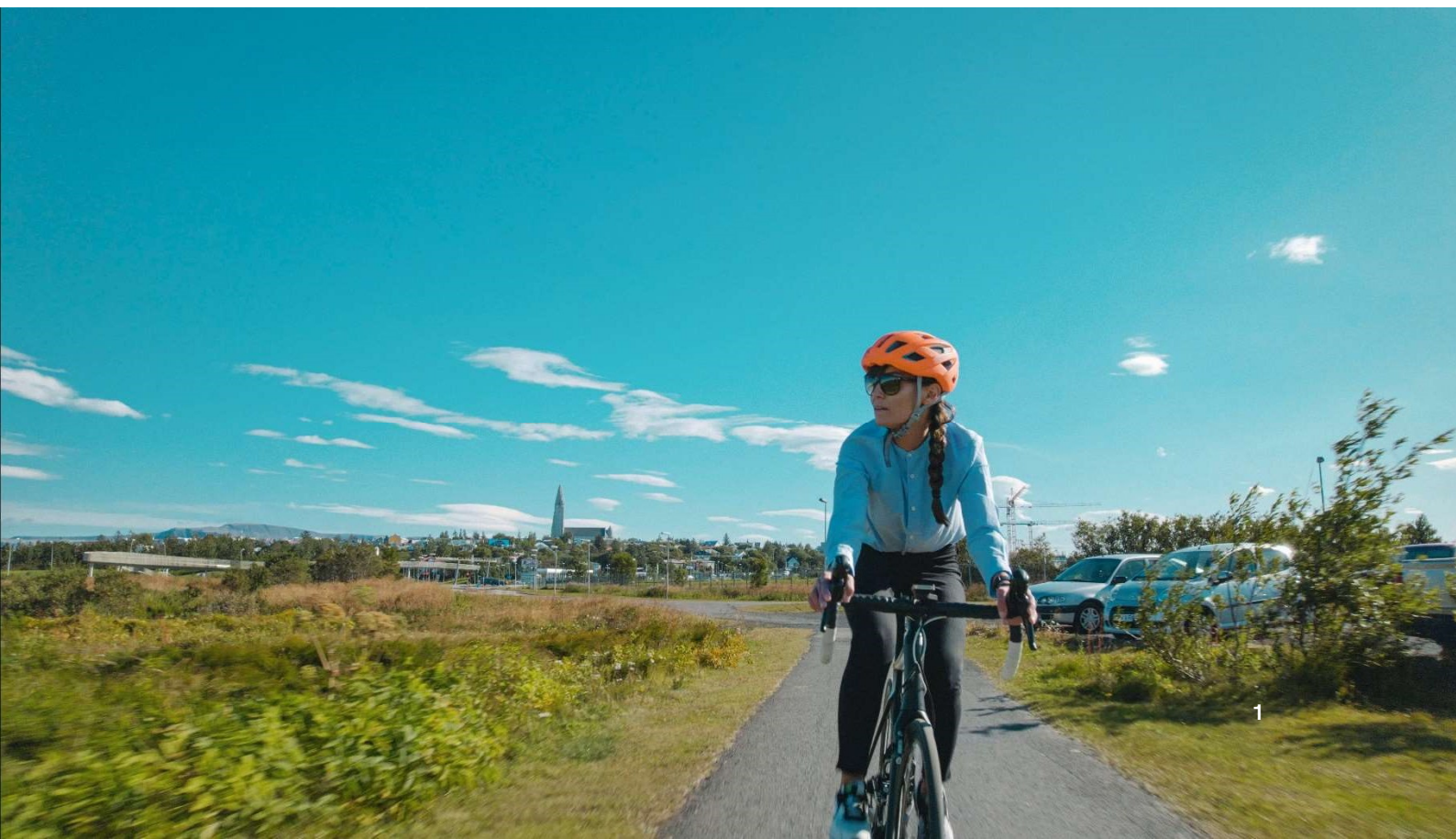
Green Financing Framework



Reykjavík

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The City of Reykjavík Green Finance Framework

1. Sustainability

Introduction

Reykjavík is the capital of Iceland with approximately 137,000¹ inhabitants, comprising roughly 1/3 of Iceland's population and covering an area of approximately 273 km². The City of Reykjavík (Reykjavik) is responsible for the provision of public infrastructure for the capital area including education, roads and public transport, recreational and health facilities (swimming pools, museums, libraries, etc.), social welfare, and waste collection. Reykjavik employs 12.000 people and the organisation's role is to be a good steward of public goods for the people of Reykjavik.

The future vision of Reykjavik is to become carbon neutral by the year 2040 and that adaptation to climate change will take place in an environmentally sound and human friendly manner. Reykjavik City supports the goal of the 2015 Paris agreement to maintain global warming within 1.5°C in various policies such as The Municipal Plan of Reykjavik 2040, the Green New Deal of Reykjavik City and the Biodiversity Policy. This framework describes how Reykjavik will mobilize financing to achieve the ambitions of climate neutrality, lower greenhouse gas emissions, adaptation to climate change, circular economy, support of biodiversity and green areas at the same time the city grows, both population and businesses.

Environmental objectives

Overall vision

The overall vision of the City is on sustainable development and to build a carbon neutral community. This vision is clear in all these policies:

Green Deal

The Reykjavik Green Deal is a large social and economic stimulus and funding programme that is intended to catalyse the green transformation of Reykjavik. The Green Deal programme touches on almost every aspect of green transformation including sustainability, circular and sharing economy, energy and digital transformation, mobility, urban planning

¹ Estimated 2021 population of the capital area from Statistics Iceland. Hagstofa (2022).

and development, biodiversity and citizen engagement and commitment to climate action. Big infrastructure projects include city wide expansion of the infrastructure for cycling and walking. Neighbourhoods are being developed and re-developed on principles of sustainability, biodiversity, urban density and convenient access to multi modal transport. The Green Deal is based on co-operation between different divisions of the City and the municipal associations with the aim to break down current silos to work together to tackle the challenges and projects to reach the vision of sustainable development and Climate neutrality. Or as stated in the Green Deal: „We intend to build a powerful and dense urban existence for us all, with ample housing, sustainable neighbourhoods, healthy surroundings, efficient transport, diverse economy, and simple, accessible and democratic administration. We intend to enhance people’s quality of life and create a city where it is good to live and work.“

Municipal Plan 2040

The plan provides a comprehensive overview of Reykjavík’s priorities for development until 2040. It focuses on sustainable development, carbon neutrality, the strengthening of public transport, protection of green and open areas, increasing settlement density, waste management and requirements for eco-friendly solutions for new construction.

Biodiversity Plan

On a more local level, Reykjavík’s dedication to biodiversity is expressed in the release of a Biodiversity Policy, which lists several crucial species and habitats to be conserved. Projects resulting from the policy include ecosystem and habitat mapping and analysis, identifying value added for ecosystem services and current status of management and citizen interaction. The document identifies habitat degradation, pollution, invasive species and climate change as the greatest threats to biodiversity. As part of a general plan to approach climate change, increased emphasis is given to forestry surrounding Reykjavík, while blue and green infrastructures are being promoted in urban planning within the municipality.

Climate action plan 2021-2025

Since 2016 the vision of Reykjavík is to be carbon neutral by 2040. Or as it is phrased in the reviewed Climate action plan 2021-2025: “The city of Reykjavík’s goal is to become carbon neutral before the year 2040 and that the adaptation to climate change will take place in an environmentally sound and human friendly manner. Reykjavík City supports the goal of the Paris agreement to maintain global warming within 1.5°C. Actions will be revised in 2025 and then every 5 years after that in accordance with the 2015 Paris agreement. The results will be measured at least once every year.“

As transport is the largest proportion of emissions within Reykjavík City the focus is on changing travel modes within the city, making it more accessible to walk, bike and use public transport and micro mobility. The focus is on implementing 15 minute neighbourhoods, the City’s cycling plan and implementation of Bus Rapid Transit system called Borgarlína. In addition to changes of travel modes the City will support the energy transition in the

transport sector including to increase the share of electrified transport. These actions will further add to Iceland's efforts and achievements in electrifying the transport sector as Iceland is already at the forefront in terms of electric vehicle (EV) integration rates². Reykjavik has further implemented eco-friendly operations and emphasised green investments to improve the environment and quality of life of residents.

Reykjavik recognizes the importance of not just mitigating the city's climate impacts, but also the importance of implementing adaptation measures to mitigate the impact of climate on the city. Climate risk governance is part of the City's adaptation measures through the mapping and measuring of risk due to rising sea levels due to the City's location at the coast of Iceland. In addition, national climate risk assessments are provided by the Icelandic Meteorological Office. According to these assessments, Iceland has a relatively low climate risk in comparison to other countries. However, both acute and chronic climate risks such as changing precipitation patterns and flash floods should be monitored. Any activities exposed to these risks should be adapted such as blue-green solutions and flood prevention.

The Action Plan comprises six priorities that the City considers most important for achieving its carbon neutrality objectives, including both mitigation and adaptation measures. These are:

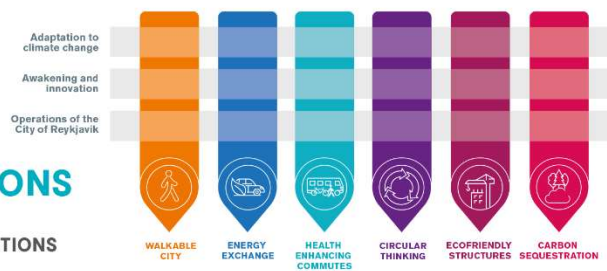
- Walkable city
- Energy exchange
- Health enhancing commutes
- Circular thinking
- Green structures
- Carbon Sequestration

In addition to these six priorities, there are other related important and supportive factors, e.g.:

- Adaptation to climate change
- Awakening and innovation
- Operations of the City of Reykjavik

The Climate action plan includes 15 main actions with the focus on reducing greenhouse gas emissions by 300.000 tonnes CO₂eq prior to 2030 and adapt to climate change:

² IEA (2022), Global EV Outlook 2022, IEA, Paris <https://www.iea.org/reports/global-ev-outlook-2022>



Climate action plan 2021-2025

15 ACTIONS

PRINCIPAL ACTIONS

REDUCTION TARGETS FOR 2030

<p>WALKABLE CITY</p>	<p>1 15 minute district Through the process of district planning, renewal of urban centres and investments in infrastructure, the City's districts will become more pedestrian-friendly and the access to green areas, outdoors-activities and services will be ensured within a radius of fifteen minutes' walk or on bicycle.</p>	
<p>ENERGY EXCHANGE</p>	<p>2 Green city development The city's future development will all be within its defined urban growth limit line and 80% of housing development will be located within convenient distance from the new BusRapid Transport system, Borgarlinan.</p>	
<p>HEALTH ENHANCING COMMUTES</p>	<p>3 Energy exchange everywhere A comprehensive plan to be drawn up and carried out for energy exchange infrastructure for private cars with charging stations in the city districts, for commercial cars, trucks, for public transport systems, in the ports and at sea.</p>	<p>In total approx. 170,000 tonnes</p>
<p>CIRCULAR THINKING</p>	<p>4 World class cycling city A revised cycling plan is to set goals with the aim that Reykjavik becomes a world class cycling city.</p>	
<p>ECOFRIENDLY STRUCTURES</p>	<p>5 Borgarlína (Cityline) and improved public transportation Improved as well as efficient public transportation and the compaction of the city are to play a key role in attaining the goals for changes in travel behaviour. Further climate goals will be defined for the transportation agreement between the state and the association of metropolitan area communities (SSH).</p>	
<p>CARBON SEQUESTRATION</p>	<p>6 Zero waste A comprehensive action plan to be developed for recirculation and recycling in order to support a more sustainable treatment of waste.</p>	<p>54,000 tonnes</p>
<p>CARBON SEQUESTRATION</p>	<p>7 Green food policy The City's food policy to be implemented and cooperation to be organised involving green agriculture in Kjalarnes.</p>	
<p>CARBON SEQUESTRATION</p>	<p>8 Green construction industry Cooperation to be organised with businesses and industry for a greener construction industry.</p>	<p>Construction industry having attained carbon neutrality</p>
<p>CARBON SEQUESTRATION</p>	<p>9 Turn CO₂ into stone Know-how and solutions by OR and Carbfix are to be developed for the sequestration of carbon dioxide, and as the case may be of other greenhouse gases in partnership with universities and enterprises that are heavy emitters.</p>	<p>22,000 for carbon neutral energy production</p>
<p>CARBON SEQUESTRATION</p>	<p>10 Reclamation of wetlands to be increased according to a special plan.</p>	<p>45.00 tonnes because of land use</p>
<p>CARBON SEQUESTRATION</p>	<p>11 Reykjavik climate forests Climate forests to be promoted in collaboration with the Reykjavik Forestry society (Skógræktarfélag Reykjavíkur), and a forestry plan be presented.</p>	
<p>SUPPORT-ACTIONS that have mutual points of contact in new city districts and when renovating the older systems.</p>	<p>12 Operations of the City of Reykjavik Fossil fuel free by 2025 Cars and equipment powered by fossil fuels will not be procured by the city as of 2021 and the cars and equipment that is already possessed will be replaced before the year 2025. (-800 tonnes)</p> <p>13 Adaptation to climate change Blue-green surface water solutions New thinking in the application of utility systems with improved utilization of water and Blue-green surface water solutions to become the rule in new city districts and when renovating the older systems.</p> <p>14 Flood control installations to become recreational areas and parks Undertakings to be initiated for the reinforcement of flood control structures along the coastline where needed, aiming at nature based solutions, developing recreational areas, beach parks and facilities for ocean bathing at selected locations.</p> <p>Awakening and innovation</p> <p>15 Collaboration with business and industry Continue to cooperate with Festa, centre for social responsibility and businesses under the banner of the City of Reykjavik & Festa Climate climate declaration towards further results in all sections of the economy.</p>	<p>REYKJAVÍK CARBON NEUTRAL 2040</p>

Horizon Europe research and innovation programme

Reykjavik was chosen from 377 applications to be one of the EU Mission 112 Climate-Neutral and Smart cities. The Cities Mission will involve local authorities, citizens, businesses, investors as well as regional and national authorities to

- Deliver 100 climate-neutral and smart cities by 2030
- Ensure that these cities act as experimentation and innovation hubs to enable all European cities to follow suit by 2050

As foreseen in its implementation plan, the Cities Mission takes a cross-sectoral and demand-led approach, creating synergies between existing initiatives and basing its activities on the actual needs of cities.

Other Climate related commitments and co-operation

Covenant of Mayors and their ancestors since 2011, Race to Zero, Race to Resilience, Support of the Paris Agreement, C40 – Reinventing Cities and on a more local level co-operating with Festa, the Center for Corporate Social Responsibility.

Awards

Reykjavik has received various awards connected to progress in climate and nature issues. Reykjavik was one of the finalists of the European Green Capital Award in 2011, was awarded the Nordic Council's Nature and Environment Prize in 2014 and has been scored A list City of CDP 2018, 2019 and 2021.



Photographer Magnus Fröderberg/norden.org

Green Financing Framework

In 2018, Reykjavik became the first issuer of green bonds on the Icelandic market. The issuance was under then Green Bond Framework rated Dark Green by Cicero in their second opinion of the framework, representing the highest level of environmental benefits for the city's selected projects. In this update, Reykjavik aims to continue the positive developments seen under the City's first Green Bond Framework and issuances (as seen in its [Allocation and Impact Reports](#)), where this more expansive Green Finance Framework will assist Reykjavik in enhancing the scope of its sustainability goals for the benefit of the City's inhabitants.

Reykjavik acknowledges the vital role that capital markets have in providing the necessary financing for a sustainable and green future. To address the growing demand from investors for green debt instruments, renewal of the Green Bonds Framework was due.

The Green Financing Framework (hereafter "Framework") is developed to be aligned with the International Capital Markets Association's (ICMA) Green Bond Principles (2021)³, Green Loan Principles (2018), the Climate Bond Initiative (v. 3.0), and the EU Green Bond Standard (2019) and, to the extent feasible, the EU Taxonomy.

The Framework may at times be updated to comply with future changes to the aforementioned principles, guidelines, and taxonomies as well as to general green financing market practices and/or changes in the Reykjavik's policies and expenditures.

Through this Framework, Reykjavik is progressing its environmental objectives further. This Framework provides capital markets the opportunity to support the transition to a sustainable and climate resilient future by allowing Reykjavik to finance its intended projects and actions in line with the Green Plan, the Climate Action plan, and its policies for environmental and resource use, biodiversity, waste management, and other sustainability policies. This Framework supersedes the Green Bond Framework established in 2018.

Use of proceeds

Reykjavik is establishing this Green Financing Framework to allow for the issuance of green debt instruments (bonds, loans, bills, and/or other types), in line with the Green Instruments that meet eligibility criteria as defined by the Eligible Projects and Assets outlined below. The aforementioned instruments will herein be commonly referred to as Green Instruments.

An amount equal to the net proceeds of the Green Instruments will be used to finance or refinance Reykjavik's Eligible Projects and Assets. All projects and assets financed under this Framework will need to align with at least one of the below Project Categories.

³ With June 2022 Appendix I

Eligible projects and assets can include direct investments, equity, and selected project expenditures to the extent they are contributing to the environmental objectives of Reykjavík. Reykjavík may finance companies owned by the City which may issue Green Instruments on their own. However, the City will ensure that financing does not go to the same eligible projects and assets to prevent double counting.

Net proceeds can finance both existing and new Eligible Projects and Assets. New financing refers to expenditures disbursed to activities and/or projects initiated in the same year as financing has taken place, or later. Refinancing refers to activities and/or projects initiated in the previous calendar year or earlier.

For the purpose of mitigating any environmental and social risks arising from projects and assets, net proceeds will not be allocated to assets, projects, or entities related to activities or sectors in fossil fuel generation, use or machinery, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, alcoholic beverages or tobacco, whaling, livestock, and crypto-currency mining. Non-funding of these projects and assets will be ensured through the Management of Proceeds approach described below.

Additionally, climate risk will be monitored in line with national policy, law and regulations, environmental standards, and best practices to identify any mitigative actions.

A key measure to reach the goal on climate neutrality is to improve infrastructure for electric vehicles, cycling and public transport, reduce emissions due to waste, buildings and land use with investments in those fields. Phasing out fossil fuels in transport and altering land use are namely the two main objectives of the city's current Climate Action Plan.



Table 1 demonstrated the Eligibility Criteria and Eligible Projects and Assets ("Eligible Project Categories) and their alignment with Green Bond Principles/Guidelines and EU taxonomy project categories.

Table 1. Eligible Projects and Assets – Green Project Categories

Project Categories	EU taxonomy Objective	UN SDGs	Criteria & Threshold	Impact Indicators	City's environmental objective
Green Buildings	Climate Change Mitigation	11.1 11.3 13.1	<p>Criteria for new construction, acquisition of buildings, leasing, operations, renovation, and refurbishment of existing buildings, distinguished by the outlined three categories below, are the following:</p> <ul style="list-style-type: none"> — $\geq 2000 \text{ m}^2$, must be certified in line with the following criteria: <ul style="list-style-type: none"> — LEED "Gold", BREEAM (including BREEAM in-use) "Excellent" The Nordic Swan Ecolabel certification", or similar, and always including all specific criteria (see below) — $< 2000 \text{ m}^2$, must be certified in line with the following criteria: <ul style="list-style-type: none"> — LEED "Silver", BREEAM (including BREAM in-use) "Very good", The Nordic Swan Ecolabel certification", or similar, and always including all specific criteria (see below) <p>Specific criteria applying to both categories:</p> <ul style="list-style-type: none"> — Assessment of climate risk and resilience — Life-cycle assessment are required, including embodied or embedded 	<p>New buildings:</p> <ul style="list-style-type: none"> — Carbon footprint in $\text{tCO}_2\text{e}/\text{m}^2$ and the carbon footprint profile — Annual energy use reduced/avoided compared to business as usual (in MWh) — Annual GHG emissions reduced/avoided compared to business as usual (in tCO_2e) <p>Existing buildings:</p> <ul style="list-style-type: none"> — Annual energy use reduced/avoided compared to business as usual (in MWh). The energy criteria in BREEAM-in-use will be used. — Annual GHG emissions reduced/avoided compared to business as usual (in tCO_2e) <p>Major renovations:</p>	<ul style="list-style-type: none"> — The City has plans to locate 80% of housing development within convenient distance from the new BusRapid Transport system — Reykjavik will organise cooperation with businesses and industry to promote a greener construction industry — Carbon neutrality by 2040

			<p>emissions, and materials are chosen based on life cycle considerations</p> <ul style="list-style-type: none"> — Electricity and space heating from 100% renewable energy sources — Solutions for a car-free living and electric charging stations fuelled with 100% renewable energy sources <p>Cost associated with certified urban development using BREEAM or similar certification scheme</p>	<ul style="list-style-type: none"> — Annual energy use reduced/avoided compared to business as usual (in MWh) — Annual GHG emissions reduced/avoided compared to business as usual (in tCO₂e) <p>Climate Change risk and resilience:</p> <ul style="list-style-type: none"> — Physical climate risk outlined and adaptation measure outcome (quantified if possible) — Impact on increased resilience to climate change <p>Other:</p> <ul style="list-style-type: none"> — Number of certified buildings (into categories, i.e. Nordic Swan Ecolabel and/or BREEAM) per year. Including the scores for each project — Distance (in km) to public transportation 	
Energy efficiency	Climate change mitigation	7.3 7.a 8.4 9.4	<ul style="list-style-type: none"> — Expenditures for technologies, products, and installation for the purpose of reducing energy consumption. 30% increase in energy efficiency should be achieved 	<ul style="list-style-type: none"> — Annual energy reduced/avoided (in MWh) compared to pre-investment (in MWh) — Annual GHG emissions reduced/avoided (in tCO₂e) compared to pre-investment 	<ul style="list-style-type: none"> — Reykjavik will continue to automate its operations to become more energy efficient — Reykjavik is exchanging all of its's light bulbs to LED to increase energy efficiency.

Clean transportation	Climate change mitigation	9.1	Public transport:	<ul style="list-style-type: none"> — Proportion of clean transportation vehicles in new registrations in Reykjavík, by category of vehicles and energy sources. It is targeting reporting on both private vehicles and the city's vehicles, if necessary data is available — The total number of electricity charging, methane, and hydrogen stations in Reykjavík — Numbers of vehicles per fast charging station — Percentage of people walking or who use public transport, bicycles, scooters, and electric 	<ul style="list-style-type: none"> — Changes in travel modes within the city will focus on walking, cycling, using public transport and micro mobility⁹ — Cars and equipment powered by fossil fuels will not be procured by the City as of 2021 and the cars and equipment that is already possessed will be replaced before the year 2025 — The City is developing the City Line (Borgarlina Transport system) — Reykjavik is developing energy exchange infrastructure with charging stations in the City districts, for commercial cars, trucks, for public transport systems, in the ports and at sea
		9.4	— Passenger land transport activities (i.e. busses, trains, and trams) ⁴		
		11.2			
		13.2	— Inland passenger water transport (e.g. ferries) ⁵		
			Passenger cars and light commercial vehicles:		
	— Vehicles of category M1, N1, and L, including where applicable NACE 49.32, 49.32, 53.10, 53.20, 77.11. ⁶				
	Heavy duty vehicles:				
	— Heavy duty vehicles, such as waste collection vehicles and other N2 and N3 vehicles ⁷				
	Infrastructure for low carbon transport:				

⁴ Threshold: Zero direct emission transport activities. Other fleets are eligible if direct emissions are < 50 gCO₂e/pkm until 2025 (non-eligible thereafter)

⁵ Zero direct emissions inland waterway vessels are eligible. Dedicated vessels solely using advanced biofuels or renewable liquid and gaseous transport fuels of non-biological origin as defined in Art. 2 (34) and Art. 2 (36) in line with Directive (EU) 2018/2001, guaranteed either by technological design or ongoing monitoring and third-party verification. In addition, for an investment in new vessels, only vessels with efficiency corresponding to direct emissions below 95g CO₂ e /pkm (including biogenic CO₂) are eligible. Other Inland waterways vessels are eligible if direct emissions are below 50 gCO₂e emissions per passenger kilometre (gCO₂e/pkm) (or 92.6 g per passenger nautical mile (gCO₂e/pnm)). Eligibility should be reviewed in 2025.

⁶ For passenger cars and light commercial vehicles: Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric) are automatically eligible. Vehicles with tailpipe emission intensity of max 50 g CO₂/km (WLTP) are eligible until 2025 (thereafter only vehicles with emission intensity of 0g CO₂/km (WLTP) are eligible). For category L vehicles: Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric) are eligible.

⁷ Threshold: Zero direct emission heavy-duty vehicles that emits less than 1g CO₂/kWh (or 1g CO₂ /km for certain N2 vehicles) are automatically eligible. Low-emission heavy-duty vehicles with specific direct CO₂ emissions of less than 50% of the reference CO₂ emissions of all vehicles in the same sub-group are eligible. Dedicated vehicles solely using advanced biofuels or renewable liquid and gaseous transport fuels of non-biological origin as defined in Art. 2 (34) and Art. 2 (36) as well as low indirect land-use change-risk biofuels as defined in Art 2(37) in line with Directive (EU) 2018/2001, guaranteed either by technological design or ongoing monitoring and third-party verification. In addition, for an investment in new vehicles, only vehicles with efficiency corresponding to direct CO₂ emissions (gCO₂/ km) (biogenic CO₂) below the reference CO₂ emissions of all vehicles in the same sub-group are eligible. Eligibility should be reviewed latest by 2025.or when Directive (EU) 2018/2001 is reviewed.

⁹ Through the process of district planning, renewal of urban centers and investments in infrastructure, the City's districts will become more pedestrian-friendly and the access to green areas, outdoors-activities and services will be ensured within a radius of fifteen minutes' walk or on bicycle.

			<ul style="list-style-type: none"> Any construction, expansion, equipment, and improvement of infrastructure for active mobility (walking, cycling, e-bikes, and e-scooters) and vehicles and public transport as defined above⁸. 	<ul style="list-style-type: none"> bicycles when traveling. This will be measures with surveys Estimated reduced/avoided GHG emissions (in tCO₂e) per year Biking or walking lanes (in km) 	
Pollution prevention and control / Circular economy	Pollution prevention and control / Eco-efficient and/or circular economy adapted-products, production technologies and processes	<ul style="list-style-type: none"> 8.4 11.6 11.b 12.2 12.4 12.5 13.2 13.3 	<ul style="list-style-type: none"> Funding to facilitate waste reduction in line with the City's Zero Waste 2025 policy, and better waste management: Purchase of certified products and services¹⁰ Separate collection and transport in source segregated fractions of non-hazardous waste and material recovery from separately collected nonhazardous waste ¹¹ Anaerobic digestion of bio-waste¹² Composting of bio waste¹³ 	<ul style="list-style-type: none"> Estimated reduced/avoided GHG emissions (in tCO₂e) per year 	<ul style="list-style-type: none"> According to changes in the law on waste management, which were approved in July 2021 and are intended to create conditions for formation of a circular economy, it will be mandatory to separately collect organic kitchen waste, plastic, and paper and cardboard via door-to-door collection. Then it will also be obliged to separately collect textiles, metals, and glass in drop of centers (bring system) in the local environment of residents. The changes are valid from January 1, 2023. The implementation is estimated to take place between May - October 2023 Sorpa, the municipal association receiving and handling waste from the municipalities in the capital area has calculated per-person amounts for different waste categories based on the annual waste composition analysis of the general

⁸ Infrastructure needs to be fundamental to the operation of the mode of transport to be eligible.

¹⁰ E.g. Nordic Swan Ecolabel, EU Ecolabel or other green as defined by EU's Green Public Procurement (GPP).

¹¹ Eligible if waste (single or co-mingled fractions) is collected separately for the purpose of preparation for reusing and/or recycling.

¹² Eligible if: bio-waste is source segregated and collected separately; methane leakage is monitored; the produced biogas is used directly for the generation of electricity and/or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel (e.g. as bioCNG) or as feedstock in chemical industry (e.g. for production of H₂ and NH₃); the digestate produced is used as fertiliser/soil improver – directly or after composting or any other treatment; in dedicated bio-waste treatment plants, bio-waste shall constitute a major share of the input feedstock (at least 70%, measured in weight, as an annual average).

¹³ Eligible if: bio-waste is source segregated and collected separately; anaerobic digestion is not a technically and economically viable alternative; the compost produced is used as fertiliser/soil improver.

					<p>household waste for landfill. In a conservative estimate Sorpa has predicted the amount of paper in the unsorted general waste to go down 5.4 kg/person (amount avoided) in 2024 compared to 2021, from 13.7 kg paper/person to 8.3 kg paper/person (-40%). The reduction of plastics in general waste is estimated to be 7.8 kg/person (amount avoided), from 22.3 kg plastics/person to 14.5 kg/person (-35%). The estimated reduction of organic household waste to landfill is 38.8 kg/person (amount avoided), or from 66 kg/person in 2021 to estimated 27.2 kg per person in 2022. Avoided emissions are estimated 50 kg CO₂eq./per/yr.</p> <p>— Waste fees in Reykjavík have been paid according to the pay-as-you-throw (PAYT) scheme for several years. So, we consider that Reykjavík already complies to this requirement. The PAYT system is a volume-based scheme, based on the size of the container emptied and type of waste. A fixed fee is paid for drop off (icl. grenndarstöðvar) and recycling stations (icl. endurvinnslustöðvar).</p> <p>— The City will develop a comprehensive action plan for recirculation and recycling in order to support a more sustainable treatment of waste</p>
Environmentally sustainable management of living natural resources and land use	Protection and restoration of biodiversity and ecosystems	11.7 11.a 12.2	— Wetland reclamation and forestry ¹⁴ within Reykjavík's management and/or	— Area (hectares) transformed or reclaimed by type and objective	<p>— The City's will implement its Green food policy and promote green agriculture through active collaboration</p> <p>—</p>

¹⁴ A forest that maintains their biodiversity, productivity, regeneration capacity, vitality, and their potential to fulfil, now and in the future, relevant ecological, economic, and social functions.

		13.1 13.2 15.1-15.5 15.9	<p>through partnerships outside of the City's geographical boundaries^{15,16}.</p> <p>— Documentation and preservation of biodiversity in urban planning</p> <p>—</p>	<p>— Area (hectares) converted or protected</p> <p>— Estimated reduced / avoided / sequestered GHG emissions (in tCO₂e) per year. This will be estimated by environmental specialists¹⁷</p>	<p>— Reykjavik</p> <p>— The City will promote Climate forests in collaboration with the Reykjavik Forestry Association and implement a forestry plan</p> <p>— Reykjavik will increase the reclamation of wetlands</p> <p>— Reykjavik will promote blue and green infrastructures in urban planning as part of the City's Biodiversity Policy</p>
Climate Change Adaptation	Climate change adaptation	9.1 9.4 13.1 - 13.3	<p>— Mapping of climate change risks, including review of current flood prevention</p> <p>— Funding of resilience infrastructure, including blue-green/self-sustaining surface water solutions and flood control installations</p>	<p>— Reykjavik plans to describe projects so that investors know what risks are being prevented and how they are prevented</p>	<p>— Climate risk governance is part of the City's adaptation measures by mapping and measuring risks due to rising sea levels, changing precipitation patterns, and flash floods.</p> <p>— The City will reinforce flood control structures along the coastline</p> <p>— Reykjavik will implement nature-oriented solutions and infrastructure such as blue-green surface water solutions to reduce the effects of heavy rain</p>
CO ₂ sequestration	Climate Change mitigation	13.2	All expenses supporting the development, construction, installation and maintenance of projects to sequester and/or mineralize GHG emissions connected to the local activities of the residents and business	<p>— Estimated sequestered CO₂ emissions (in tonnes) per year in capital area</p>	<p>— Know-how and solutions by OR and Carbfix are to be developed for the sequestration of greenhouse gases, in partnership with</p>

¹⁵ Land conversion and/or restoration must have the following; relevant management system, established baseline GHG balance, and be projected to heighten above ground carbon stock over the baseline over time.

¹⁶ Conversion of high carbon stock land, (i.e. primary forest, peatlands, wetlands, and grasslands) which has had this status since January 2008 or after should not be converted.

¹⁷ Estimated impact will be based on this report: losun_ghl_vegna_landnotkunar_i_reykjavik_environice_april_2020_endursk.pdf

				<ul style="list-style-type: none"> — Number of sequestration projects in capital area 	universities and enterprises that are heavy emitters
Information and communication			<p>Expenditures enabling storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of diversity of data through data centers, including edge computing. Data centres include the following equipment: ICT equipment and services; cooling; data centre¹⁸power equipment; data centre power distribution equipment; data centre building; monitoring systems.</p> <p>Development and/or use of ICT solutions that are aimed at collecting, transmitting, storing data and at its modelling and use when these activities are exclusively aimed at the provision of data and analytics for decision making (by the public and private sector) enabling GHG emission reductions</p>	<ul style="list-style-type: none"> — Number of ICT projects in works — Average energy intensity of data centres — Average carbon footprint of data storage. 	<ul style="list-style-type: none"> — The city is digitalizing its services allowing more to be handled automatically or online.

¹⁸ The data centre implements the European Code of Conduct for Data Centre Energy Efficiency.

Process for Project Evaluation and Selection

Any Project financed with the Green Instruments must comply with the eligibility criteria set out above.

Reykjavik's decision-making process in evaluation and selecting Eligible Projects is the following:

1. The Treasury department of Reykjavik will oversee the process of screening, where a Green Finance working group will analyse possible new Eligible Projects.
2. These new Projects are then evaluated by the Department of Environment and Planning to make sure adherence to the Green criteria set forth above in table 1 in addition to any other relevant regulation, and to ensure that the exclusion criteria is not met.
3. The Green Finance working group then reviews these new Projects in line with the criteria of the GFF to develop a proposal list of Eligible Projects for financing as a Green Instrument. Subsequently, the proposal of Eligible Projects is sent to the Selection Committee, comprised of Director of Finance and Risk Management, Director of Environment and planning and Head of office of Public Property.
4. The Selection Committee will approve proposal of projects that are sent to the City Executive Council for final approval. Consensus needs to be reached within the Selection Committee for any net proceeds from a Green Instrument to be utilised for the financing of a Green Project. This decision will be documented.
5. After City Executive Council approval, the approved projects will be defined as Green Projects in the "green registry".
6. The Selection Committee will convene every 6 months or when considered necessary. For the avoidance of doubt, the Selection Committee holds the right to exclude any Green Project already funded by Green Bond net proceeds. If a Green Project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Projects.

In evaluating and selecting Eligible Project and Assets and allocating Green Financing, the working group will also consider aspects such as human and labour rights and the avoidance of significant harm to the other environmental objectives as defined in the EU Taxonomy, international and local environmental and social standards, and with local laws and regulations.

Management of Proceeds

The net proceeds (hereafter referred to as proceeds) from the Green Instruments issuance will be managed by Reykjavik's Department of Finance and Risk Management. The management of proceeds will be conducted according to internal guidelines.

An amount equal to the proceeds of the issue of the Green Instruments will be credited to a special account ("the green account"). The green account will fund a project if, and only if, the project is deemed eligible under this Framework (see Eligible Projects and Assets and Selection of eligible projects). Funds from the green account can also be used to repay a Green Instrument or to refinance projects that fall under the Green Finance Framework. Until

disbursement, proceeds can be used for as described in the treasury rules according to appendix 6 and chapter 2 in appendix 2.¹⁹

Reykjavik intends to fully allocate the proceeds from any financing within 36 months of the date of funding. Reykjavik strives to achieve a level of allocation of the fair market value for the Eligible Project and Asset Portfolio which matches or exceeds the balance of net proceeds from its outstanding instruments. Reykjavik will communicate how proceeds were allocated to Eligible Projects and Assets in its Annual Green Finance Impact Report (see next section for more information).

Reporting and Transparency

Reykjavik will provide an Annual Allocation and Impact Report to its investors and other stakeholders in parallel to the Annual Report in Q2 of each year until net proceeds are fully allocated. In the Annual Allocation Report, audited by the City's external auditor, and Impact Reports, the allocation of financing to Eligible Projects and Assets will be categorized by project categories to maintain consistency and measure the impact indicators. The report will be publicly available. The reporting will be conducted in line with best market practice and international guidelines and protocols²⁰ at an aggregated level and on a portfolio basis and will include at least the below information:

Allocation reporting	Impact reporting ²¹
<ul style="list-style-type: none"> • Summary of financing activities • Types of financing instruments • Outstanding amounts • Balance of unallocated proceeds • New vs. refinancing ratio • Project category allocation • An example list of projects financed 	<ul style="list-style-type: none"> • Methodologies • Impact indicator results

The Annual Allocation and Impact Reports will be published on Reykjavik's website and other relevant media and investor forums.

External Reviews

To ensure alignment with international guidelines and best practices this Green Financing Framework followed the most relevant green bond standard developments such as

¹⁹ https://reykjavik.is/sites/default/files/skjol_thjonustulysingar/fast-ste-002_reglur_um_fjarstyringu_hja_reykjavikurborg_-_borgarrad_06.01.2022_0.pdf

²⁰ This may include alignment with: E.U. Green Bond Standard developments, Multilateral Development Banks's Proposal for a harmonized framework for impact reporting on Renewable Energy/Energy Efficiency projects (2015), International Capital Markets Association's Handbook on Harmonized Framework for Impact Reporting (2020) and Nordic public sector green bond issuers' Position Paper on Green Bonds Impact Reporting (2020).

²¹ The impact assessment is provided subject to the availability of information and baseline data. This may also be subject to confidentiality agreements, competitive considerations, and other such factors, which may limit the scope of impact reporting.

International Capital Markets Association's (ICMA) Green Bond Principles (2021)²², Green Loan Principles (2018), and the Climate Bond Initiative (v. 3.0). It has also been benchmarked, to the extent possible, to the EU Sustainable Finance Taxonomy, a draft of EU's Green Bond Standard to the extent possible and according to the data available, as well as benchmarked to other Green Financing Frameworks.

- A pre-issuance independent external second-party opinion has been obtained for this Framework from CICERO Shades of Green which is publicly available.
- Request an assurance of its Allocation report from its external auditor
- Verification, consulting to prepare, assure, or confirm its post-issuance Impact report by external experts.

All relevant information regarding the Green Instrument issuance, including the Framework, the Second Opinion, and the Annual Allocation and Impact Reports will be published on Reykjavík's website and other relevant media and investor forums.



²² With June 2022 Appendix I

Disclaimer

Potential investors should be aware that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor clear market consensus as to what constitutes, a 'green', 'environmental' or 'sustainable' or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as 'green', 'environmental' or 'sustainable' or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Expenditures will meet any or all investor expectations regarding such 'green', 'environmental', 'sustainable' or other equivalently-labelled performance objectives (including Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Expenditures. Furthermore, no assurance is given that the use of proceeds from any Green Instruments for any Eligible Expenditures will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability, green or social impact of any projects or uses, the subject of or related to, any Eligible Expenditures. No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether solicited or unsolicited) which may be made available in connection with the issue of any Green Instruments and in particular with any Eligible Expenditures to fulfil any environmental, sustainability, green and/or other criteria. Any such opinion or certification is not, nor should be deemed to be, a recommendation to buy, sell or hold any such Green Instruments. Any such opinion or certification is only current as of the date that opinion was initially issued. Potential investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Green Instruments.

In the event that any Green Instruments are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability, green or social impact of any projects or uses, the subject of or related to, any Eligible Expenditures. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made that any such listing or admission to trading will be obtained in respect of any such Green Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green Instruments. While it is the intention to apply the proceeds of any Green Instruments so specified for Eligible Expenditures, there can be no assurance that the relevant expenditure(s) or use(s) the subject of, or related to, any Eligible Expenditures will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Expenditures. Nor can there be any assurance that such Eligible Expenditures will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated. Any such event or failure will not constitute an Event of Default under the Green Instruments. Any such event or failure to apply the proceeds of any issue of Green Instruments for any Eligible Expenditures as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting the non-compliance in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Green Instruments no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Green Instruments and also potentially the value of any other Green Instruments which are intended to finance Environmental Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

