

2023 Annual Green Bond Impact Report

The City of Reykjavík, which governs approximately 143.383 people, has published an extensive climate policy in which it lays out its plan to become carbon neutral by 2040 and adapt to climate change. Reykjavík has furthermore signed the Covenant of Mayors in 2011, the objective of which is to implement EU climate and energy objectives, and participates in the Global Covenant of Mayors, an agreement to undertake a transparent and supportive approach to reduce city-level GHG emissions and enhance resilience to climate change. The proceeds from the bond issuance have been used to fund projects reducing greenhouse gas (GHG) emissions and help the City of Reykjavík to achieve its climate objectives.

In 2023, the City of Reykjavík, the capital city of Iceland, updated its Green Bond Framework under which it has issued Green Bonds. City of Reykjavík (Reykjavík) was the first issuer of Green Bonds in Icelandic Krona (ISK) as well as having been the first Icelandic issuer to be listed on Nasdaq's Sustainable Bond Index. Reykjavík's Green Bond Framework received a second opinion from CICERO Shades of Green, a leading global provider of second opinions. Reykjavík received a 'medium green' rating on the overall framework. In addition, it received an 'excellent' rating for its Green Bond governance.

In the year 2023 it issued a total of ISK 4.883 m of Green Bonds under the updated framework all of which were used to fund Eligible Projects (as defined in the Framework), the outstanding amount at year-end was ISK 1,285 m and the refinancing ratio is 0%. The financed Eligible Projects in 2023 resulted in total avoided emissions of 387 tCO₂e. The donut graphs show the distribution of financing (left) and the avoided emissions (right). The tables on next page show accumulated funding and impacts from the funded Eligible Projects. Majority of the avoided impact comes from projects under the clean transportation category, with methane garbage trucks contributing the most. Overview of impacts from projects funded by previous green bond issuances can be found in previous years impact reports.

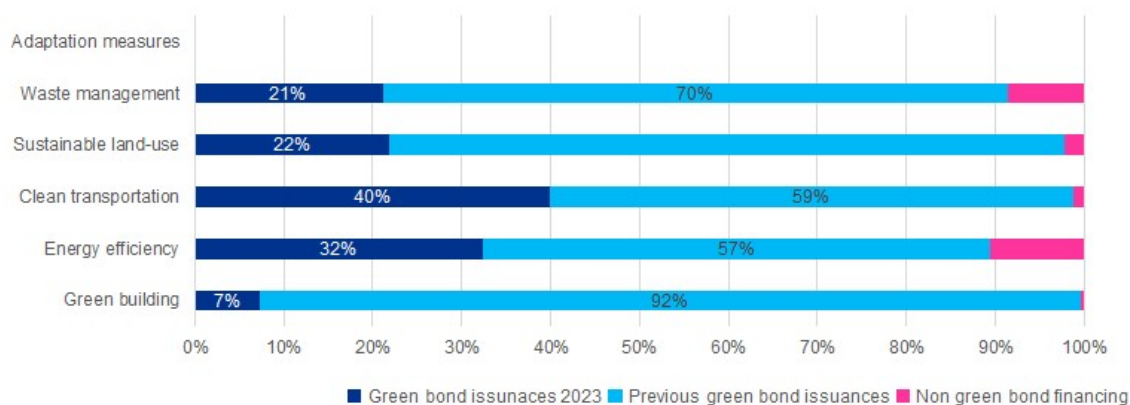
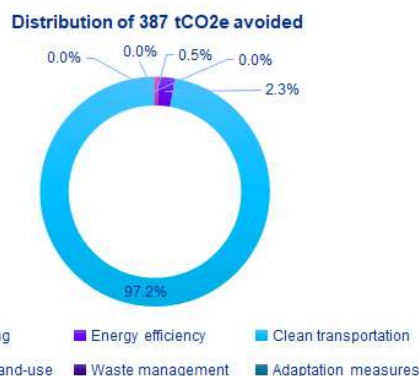


Table 1. Overview of funding to each eligible project funded under RVK's Green Bond Framework in and % of investments to date.

Eligible Project category	Eligible Project	Green investment 2023	2023 issuance % of funding	% total green bond funding of total investment
Green buildings	Dalsskóli	81,650,288	1.5%	99.9%
	Menningarmiðstöð	91,858,889	8.5%	98.7%
	Sundlaug Úlfarsbraut	30,061,836	2.3%	99.6%
	Íþróttahús	711,655,824	15.3%	99.9%
	Hverfastöð	1,591,372	0.1%	99.3%
	Grófarhús	61,310,968	100.0%	100.0%
	Miðborg leikskóli	46,017,884	20.3%	98.4%
Energy efficiency	LED gótulýsing	722,653,686	32.5%	89.4%
Clean transportation	Göngu- og hjólréiðastígar	1,380,415,571	38.1%	99.7%
	Umhverfisvænar sorpbifreiðar	278,918,858	66.4%	99.8%
	Rafmagnsbifreiðar	46,292,353	33.5%	80.3%
	Hleðslustöðvar	91,880,877	29.0%	95.3%
	Endurheimt votlendis	9,500,000	17.4%	99.8%
Sustainable land-use	Skógrækt	18,047,917	36.5%	94.0%
	Græna netið	40,695,555	19.6%	98.1%
Waste management	Grenndarstöðvar	27,157,753	21.1%	91.4%
Adaptation measures	No projects have been funded	-	0.0%	0.0%

Green buildings

Dalsskóli, a combined kindergarten, elementary school, and an after-school recreational centre, located in the Úlfarsárdalur area, in the eastern part of Reykjavík. In addition to providing positive social benefits in terms of access to education and essential service, the school's building is expected to achieve BREEAM 'Very Good' certification, which is underway, as required by the Green Bond Framework. With the schools, a culture center and swimming pool (also BREEAM certified) have the same energy metering, as a result the impact is collectively calculated for those buildings. A BREEAM certified "Very Good" neighbourhood workstation was also funded in 2023, used to maintain public spaces in the area. A BREEAM certified sport complex finished its main construction phase in December 2023. A kindergarten is being built and Grófarhús which contains the city library, city archives and photograph museum is being renovated. Both projects will be BREEAM certified. The green building category is estimated to have avoided impacts of 2 tCO₂ equivalence in 2023. The relatively modest climate change impact in this category is a result of the low carbon intensity of energy supply for houses in Reykjavík, as electricity is supplied by hydropower and geothermal power plants. However, the city of Reykjavík is working on providing further information about the environmental impacts of their certified buildings. This information will be added to the report when available.

Energy efficiency

LED lighting can provide light illumination with much lower energy consumption than by other means. Compared with conventional lighting, LEDs can be up to 40-60% more energy efficient while also providing more secure lighting to Reykjavík's citizens. In 2016, Reykjavík began the preparation for replacing incandescent bulbs in its street lighting. In 2023, 3,370 light bulbs have been replaced resulting in energy saving of about 1GWh. The energy efficiency project category is estimated to have avoided about 9 tCO₂ equivalence in 2023. The relatively modest climate change impact is a result of the low carbon intensity of energy supply for lighting in Reykjavík.

Clean transportation

The City of Reykjavík has a comprehensive plan to increase the share of cyclists in the city. A part of this plan is to construct and improve cycling routes. In 2023, the construction of 2 km of cycling and walking paths were financed with Green Bond proceeds.

The City of Reykjavík has further invested in biogas powered bin-lorries which avoid the use of fossil fuel when collecting waste from its residents, saving an estimated 110 thousand litres of diesel in 2023 from

vehicles financed in 2023. Charging stations for electric vehicles have been installed in various locations around Reykjavík, 87 connectors were financed in 2023 providing an estimated 100 MWh of electricity for cars in 2023. This infrastructure is crucial to minimize the population's dependence on vehicles using fossil fuel. In addition, the city has purchased electric cars to be used in its own operation.

The clean transportation project category is estimated to have contributed about 376 tCO₂ equivalence in avoided climate change impact in 2023.

Waste management

In 2023 the city funded neighbourhood sorting and waste disposal containers aimed at increasing the ratio of sorted waste to be able to increase the recycled waste ratio in the city.

Sustainable land-use

In 2023 the planting of about 45,000 trees was funded but measurement of the growth has not been performed and thus the carbon sequestration from trees planting is not included. Also funded in 2023 planting of plants to increase the plant life in the city, also not included as measurements are not ready. In 2023, the City of Reykjavík did not reclaim wetlands.

Methodology

Avoided greenhouse gas emissions, detailed in this report, are emissions that would have been emitted if the projects funded by Reykjavík's green bonds would not have been initiated. Methodologies used for these impact calculations are based on relevant international guidelines and standards.¹ For the project categories 'green buildings' and 'energy efficiency', the avoided impact due to decreased electricity use is estimated based on Iceland's electricity grid carbon intensity of 8.54 gCO₂e/kWh². For the category 'clean transportation', a consequential life-cycle perspective approach was used. Fossil fuel vehicles are assumed to be replaced. For the cycling infrastructure, the cyclists are counted electronically in various locations around the city. These numbers were used to estimate the frequency of cyclists using the added infrastructure.

KPMG's role

KPMG ehf. was appointed to calculate the positive environmental impact of Reykjavik's green bond funded operations at the year-end 2023. KPMG advised on the methodology, received necessary data from Reykjavik and calculated the financial impact. KPMG's engagement was not bound by any assurance standards nor provided an opinion.

17. May 2023

¹ International Capital Market Association's Green Bond Principles' Handbook on Harmonized Framework for Impact Reporting (June 2023)

² Environment Agency of Iceland 29th of January 2024 - Emission Factors (6th edition)



Grant Thornton

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Independent Auditor's Assurance Report

To the City of Reykjavik's City Council and Green Bond holders

Assurance scope

The scope of our work was limited to verifying that the proceeds of the Green Bond issue were used for funding selected eligible projects as reported in the Annual Green Bond Impact Report for 2023.

Responsibilities of The City of Reykjavik

The net proceeds from the Green Bond issue is managed by the City of Reykjavik's Office of Finance. It is the responsibility of the Office of Finance to allocate the proceed to the eligible projects selected by a Selection Committee and approved by the City Council. Office of Finance is also responsible for preparation of the Annual Green Bond Impact Report which is free from material misstatements, whether due to fraud or error, in accordance with the Green Bond Framework from December 2023.

Responsibility of the auditor

Our responsibility is to express an assurance conclusion for the subject matter at hand and which is included in the Annual Green Bond Impact Report, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the IASB.

Our independence and quality control

We have complied with independence and other ethical requirements of the Code of Ethics for professional Accountants issued by the International Ethics Standards Boards for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply *ISQC 1 International Standard on Quality Control* and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

During our assurance engagement we reconciled the list of funded projects to the selected eligible projects. We performed assurance procedures on accounting transactions and capital movements in the Green Account. We have also reviewed the Annual Green Bond Impact Report for 2023 and performed assurance procedures on the completeness and accuracy of reported information as described on the Green Bond Framework.

Conclusion

Based on the assurance procedures we have performed and the evidence we have obtained, we conclude, in all material aspects, that the proceeds of the Green Bond issue has been used to fund the selected eligible projects as reported in the annual Green Bond Impact Report for 2023.

Reykjavík, 30 Maí 2024

On behalf of Grant Thornton endurskoðun ehf



Sturla Jónsson

State Authorized Public Accountant