2021 Environmental Bond Report

NORDIC INVESTMENT BANK

Message from the Head of Funding & Investor Relations

In 2021, NIB marked its 10th anniversary as an issuer of environmental bonds. Since the launch of the NIB Environmental Bond (NEB) Framework in 2011, we have issued EUR 5.8 billion in NEBs and financed over 130 sustainable projects with the proceeds.

Jens Hellerup
Head of Funding & Investor Relations

When we started issuing NIB Environmental Bonds in 2011, our aim was to attract investors that were specifically interested in environmentally-sound projects. In the beginning, many were sceptical about the idea of a green bond; investments were about risk and return, after all. But we were convinced that a trend had started: sustainable, lasting impact was what was needed. Since then, we have issued NEBs every year, coming to a total of 26 transactions by end 2021.

Ten years ago, we already had the necessary building blocks at NIB: we had a mandate to lend to projects that lead to environmental benefits in the Nordic–Baltic region, and we had an established process to assess and report on project impact.

Thus far, renewable energy generation projects have received the highest share of NEB-financing (26%), followed by green building investments (25%).

In 2019, we also started issuing Nordic–Baltic Blue Bonds, the first of their kind in Europe. Blue bonds are aimed at investors who are conscious of the challenges facing water resources in our region. By end 2021, we had issued EUR 335 million in Blue Bonds, which financed thirteen water treatment projects that contribute to the reduction of pollution and to water-related climate adaptation.

In 2021, NIB raised a total of EUR 898 million in environmental bonds, consisting of a EUR 500 million bond, a SEK 3 billion denominated bond and an inaugural NOK 1 billion denominated bond. The reason we issue bonds in Nordic currencies is because we want to give our investors the opportunity to finance sustainable projects "in their backyard". Further, it is part of our strategy to support the growth and development of green fixed income markets.

Developing the sustainable bond market

NIB has been actively involved in initiatives aimed at promoting the integrity and transparency of the sustainable bond market. One of the most prominent steps in this regard was the establishment of the Green Bond Principles in 2014. It was important for NIB to support the development of this initiative, which has since been expanded to include the Social Bond Principles, the Sustainability Bond Guidelines and the Sustainability-Linked Bond Principles.

Further developments are imminent, for example when thinking about the legislative proposal for an EU standard for green bonds aligned with the EU taxonomy. Going forward, we will continue playing our part.

Transparent reporting is key

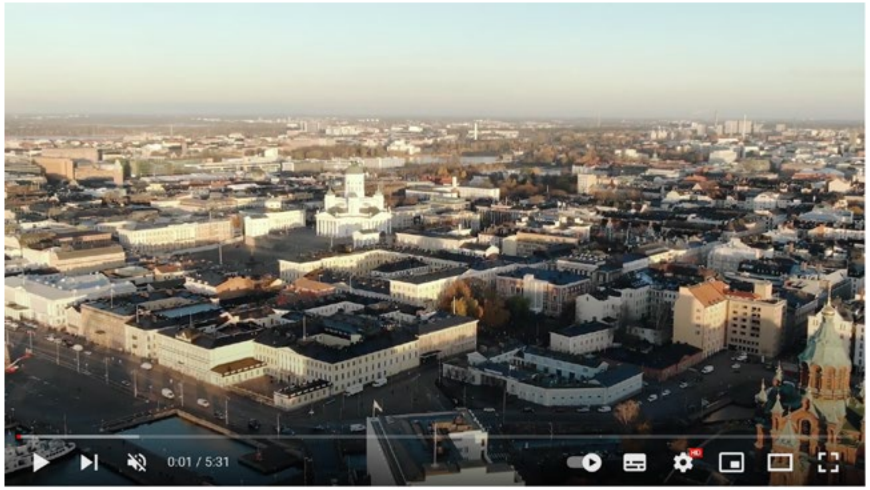
In 2018, our NEB Framework received a dark green rating in a Second Opinion issued by CICERO, reflecting the attributes of the framework that are crucially important for fostering a low-carbon and climate resilient future.

To live up to this rating and the principles we helped develop, we see transparency as key. Therefore, we report detailed information on allocation and impact of each project financed by Environmental Bonds. Our impact data as well as information on our methodology are available on our website. NIB has a portfolio approach, with multiple NEBs financing projects in the NIB Environmental Bond Pool.

In this NIB Environmental Bond Report 2021, we are providing information on our NEB issuance, allocation, and the impact of our NEB-financed projects for 2021 as well as for the period 2011–2021. A first assessment of the estimated alignment of our NEB project categories with the EU taxonomy is also included.

Sustainable finance is well integrated in NIB's business model, and our Environmental Bonds have played an important role in this. As we celebrate our 10th anniversary on the green bond market, we thank our investors, our lending clients, and other stakeholders for putting their trust in us. The journey is just beginning, and we are excited about the future.

Watch a video about our NEB-financed projects of the last ten years



Overview

NIB has an explicit mandate to promote environmental projects. In response to investors' willingness to specifically support sustainable investments, we introduced our NIB Environmental Bond Framework in 2011. Under the framework, NIB issues environmental bonds and Nordic–Baltic Blue Bonds, the proceeds of which are used to finance projects that benefit the environment and support the transition to a low-carbon economy. NIB's Nordic–Baltic Blue Bonds specifically focus on investments within water management and protection and are aimed at investors who are conscious of the challenges facing our region's water resources, especially those affecting the Baltic Sea.

The NIB Environmental Bond Framework is aligned with the four core components of the Green Bond Principles (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting). Further, NIB has started to assess the alignment of the projects in its NEB Fund Pool with the EU Taxonomy.

Read more about the Bank's overarching objectives, strategy, policy and processes relating to environmental sustainability under Sustainability Management in NIB's Impact Report 2021 and see NIB's Sustainability Policy.

BASIC INFORMATION NEB

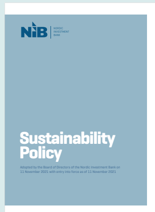
Current framework	NIB Environmental Bond Framework (last updated Oct 2019)
Second opinion	CICERO: Dark Green (Oct 2018)
Types of bonds issued under framework	Environmental Bonds, Nordic–Baltic Blue Bonds
Reporting period	Annual
Reporting approach	Portfolio approach with project-specific details provided
Guidelines / alignment	Green Bond Principles, EU Taxonomy estimated alignment assessment, UN Sustainable Development Goals
Verification	Limited Assurance by KPMG, see page 104
Impact reporting portals	Nasdaq Sustainable Bond Network

NEB project selection process

1

ESG review

We confirm that there are no significant environmental, social or governance risks to the project or counterparty.



Read here.

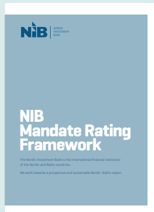
2

Mandate rating

ENVIRONMENTAL BENEFITS
Pollution reduction
Preventive measures
Resource efficiency (incl. circular economy)
Climate change mitigation

Rating scale

Rating scale
Excellent
Good
Moderate
Marginal
Neutral
Negative



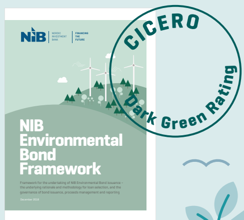
Read here.

3

NIB Environmental Bond Framework

We confirm projects' eligibility against a set of criteria within the following project categories:

- Energy efficiency
- Renewable energy generation
- Transmission, distribution and storage systems
- Clean transport solutions
- Resources and waste management systems
- Water management and protection
- Green buildings



Read here.

4

NEB Fund Pool

Straight link between NEB proceeds and disbursements to eligible projects.

5

Reporting

Annual report on the allocation of NEB proceeds and the impact of projects financed.

Independent Assurance Report to the Management of the Nordic Investment Bank

6

Ex-post mandate assessment

Three years after project implementation, NIB will assess the fulfilment of the Bank's mandate and realisation of impact.

Read here.

10 years of NIB Environmental Bonds

In 2021, NIB celebrated its 10th anniversary on the sustainable bond market.
Read more about how we have been connecting financing to environmental impact here.

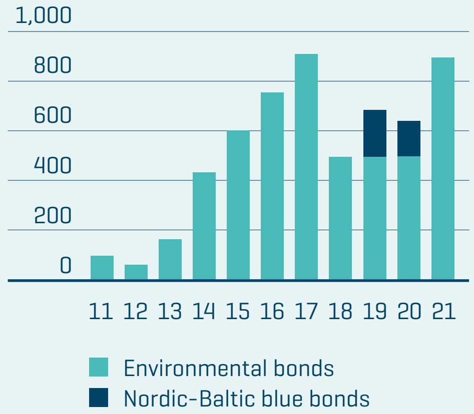
EUR 5.8 billion
issued in 26 transactions

130+
projects financed

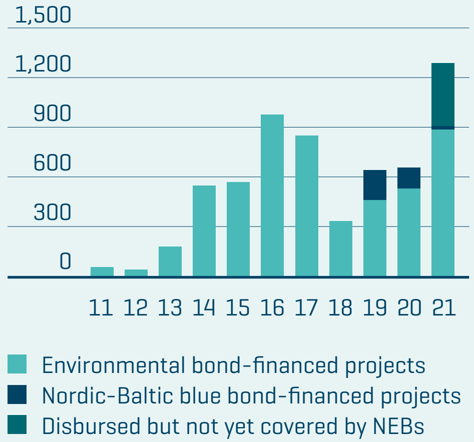
- **119 Environmental Bond financed projects**
- **13 Blue Bond financed projects**

7 currencies:
EUR, SEK, BRL, ZAR, USD, INR, NOK

NIB Environmental Bond issuance 2011-2021, in EURm



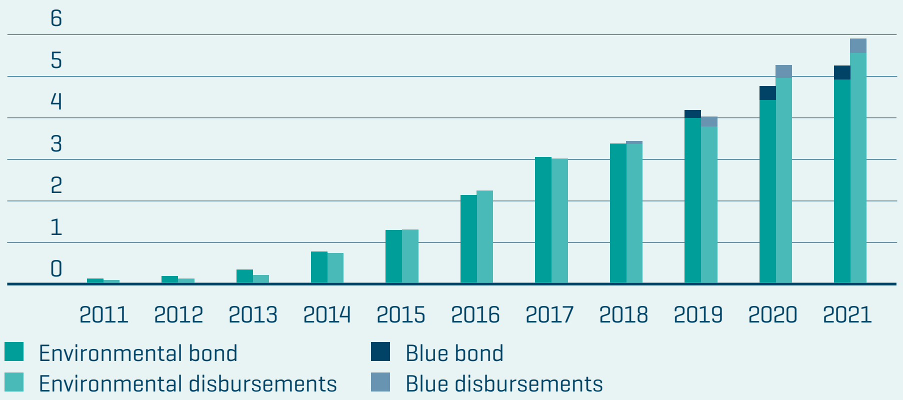
NEB-financed projects 2011-2021, in EURm



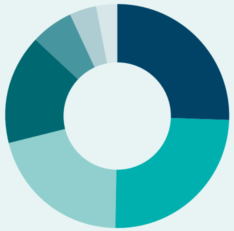
NIB Environmental Bond Pool

The proceeds of NIB Environmental Bonds are managed on an aggregate basis for multiple environmental and blue bonds (portfolio approach).

Accumulated NEB issuance and disbursements 2011–2021
in EUR billions

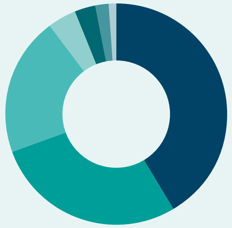


NEB-financed projects 2011-2021
%, projects by NEB category



- **26%** Renewable energy generation
- **25%** Green buildings
- **21%** Water management and protection
- **16%** Clean transport solutions
- **6%** Energy efficiency
- **4%** Resources and waste management systems
- **3%** Transmission, distribution and storage systems

NEB-financed projects 2011-2021
%, by country



- **41%** Sweden
- **28%** Norway
- **20%** Finland
- **4%** Denmark
- **3%** Lithuania
- **2%** Poland
- **1%** Iceland
- **0%** Estonia

NIB Environmental Bond issuance in 2021

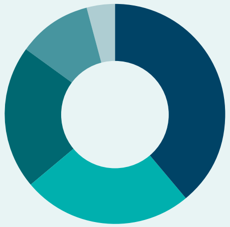
In 2021, NIB raised a total of EUR 898 million in Environmental Bonds.

NIB Environmental Bond issuance 2021

Currency	AMOUNT IN MILLIONS	EUR MILLION EQUIVALENT	ISIN	VALUE DATE	MATURITY DATE	LINK
NOK	1,000	102	XS2400452228	20.10.2021	20.10.2027	Press release
SEK	3,000	296	XS2400452731	20.10.2021	20.10.2026	Press release
EUR	500	500	XS2166209176	01.04.2021	30.04.2027	Press release

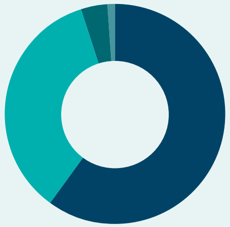
A list of all NEB transactions is available on our website.

NEB investors 2021
%, by investor type



- **39%** Asset managers
- **25%** Banks
- **21%** Pension & insurance
- **11%** Central banks & Official institutions
- **4%** Other

NEB investors 2021
%, by geographical region



- **60%** Europe
- **35%** Nordics
- **4%** North America
- **1%** Japan

NEB-financed projects in 2021

In 2021, NIB financed projects with NEB proceeds (environmental and blue bonds) equivalent to EUR 909.5 million. A list of all NEB-financed projects is available on our website.

Pomerania Wind Farm (Poland)

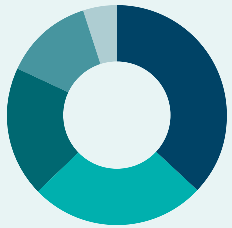
Construction of a 94 MW onshore wind farm. Read more.

NEB category: Renewable energy generation

NEB-eligibility: 100%

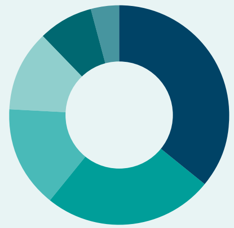
NEB-financed as of 31.12.2021: EUR 33.6 million

Environmental bond-financed projects in 2021 %, projects by NEB category



- **37%** Clean transport solutions
- **26%** Renewable energy generation
- **19%** Transmission, distribution and storage systems
- **13%** Green buildings
- **5%** Resources and waste management systems
- **0%** Energy efficiency

Environmental bond-financed projects in 2021 %, projects by country



- **36%** Norway
- **25%** Sweden
- **15%** Denmark
- **12%** Finland
- **8%** Iceland
- **4%** Poland
- **0%** Estonia
- **0%** Lithuania

Fingrid (Finland)

Upgrade of transmission grid substations. Read more.

NEB category: Transmission, distribution and storage systems

NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 35 million

Fortum (Finland)

Investments in hydropower and bioenergy. Read more.

NEB category: Renewable energy generation

NEB-eligibility: 72%

NEB-financed as of 31.12.2021: EUR 57.6 million

Danish State Railways (Denmark)

Acquisition of new rolling stock. Read more.

NEB category: Clean transport solutions

NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 133 million

Landsnet (Iceland)

Increasing capacity, stability and reliability of transmission system. Read more.

NEB category: Transmission, distribution and storage systems

NEB-eligibility: 100%

NEB-financed as of 31.12.2021: EUR 42 million

Impact of NEB-financed projects 2011-2021

Pro-rated to NIB's share of financing. The share of impact arising from new disbursements in 2021 is shown.

Green buildings	2021 share
359,000 m^2 gross floor area	8%
770 MWh/a own carbon neutral energy generation	0%

Renewable energy generation	2021 share
1,195,500 t CO_2e/a avoided	14%
2,742,100 MWh/a added generation	19%
994 MW added capacity	12%

Clean transport solutions	2021 share
70,700 t CO_2e/a avoided	74%

Water management & protection	2021 share
658,000 PE added treatment capacity	0%
316 t/a reduced nitrogen discharges	0%

Transmission, distribution & storage	2021 share
2,095 MW connected renewable transmission capacity	68%

Energy efficiency	2021 share
17,600 t CO_2e/a avoided	0%
58,100 MWh/a energy savings	0%

Resource & waste management	2021 share
109,600 t CO_2e/a avoided	0%
597,700 MWh/a energy recovered from waste	0%
97,200 t/a of waste treated	73%

Nordic-Baltic Blue Bonds

Water management & protection	2021 share
404,000 PE added treatment capacity	0.4%
93 t/a reduced nitrogen discharges	0%

Project-specific impact data and NIB's methodology for assessing impact is published on our website: https://www.nib.int/investors/environmental_bonds

Preliminary EU taxonomy alignment of NEB project categories

NIB has been issuing Environmental Bonds (NEBs) since 2011. Following the adoption of the EU taxonomy for sustainable economic activities in 2020, we conducted a preliminary screening of the NEB project categories against the taxonomy. The objective of the exercise was to provide our investors with information on the alignment of NEB-financed projects with the taxonomy. This is also encouraged by the Green Bond Principles, who advise issuers to provide information, if relevant, on the alignment of projects with official or market-based taxonomies.

For each project category, the most relevant environmental objective in the taxonomy has been selected for the assessment. Technical screening criteria for climate change mitigation and adaptation are from the Climate Delegated Act and criteria for the remaining environmental objectives from the proposal issued in August 2021. NEB project categories have, to the extent possible, been matched with one or several taxonomy activities. There are some NEB project categories that are not covered by the taxonomy and are thus classified as not eligible.

Compliance with Minimum Social Safeguards (MSS) is ensured by NIB's policies and processes to identify, manage, and mitigate potential negative environmental and social impacts. NIB's core sustainability principles are based on different international agreements, frameworks and conventions, including OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. All projects considered for financing and the respective lending counterparties undergo an ESG assessment, including client meetings, site visits and document review. According to NIB's Environmental Bond Framework, only projects for which the review of environmental and social risks has not identified any potentially threatening risk elements may be included in the NEB portfolio. Alignment with Do No Significant Harm (DNSH) criteria has been assessed separately for each project category in terms of whether relevant aspects are covered by a regular permitting process in combination with NIB's project sustainability review. All projects financed with NEB funds are located within the EU.

Alignment against the criteria for Significant Contribution (SC) and DNSH is a preliminary estimate describing the situation in 2021. The assessment is based on NIB's criteria for different project categories as well as information collected in the sustainability review of selected projects included in the Environmental Bond portfolio. No additional information has been requested from clients, instead NIB has assessed the technical performance of activities based on information available. Going forward, NIB intends to collect relevant information on taxonomy alignment directly from clients and thus improve the reporting possibilities.

The attempt has not been to perform a strict alignment assessment, which would require more granular project data and evidence that cannot be collected retroactively for already financed projects. The term "estimated aligned" is used to describe that the alignment may be based on certain general assumptions. "Partly aligned" means that either a part of the criteria is fulfilled or, alternatively, that the project category contains some assets that cannot fulfil all criteria.

The alignment assessment results are presented separately for SC, as well as for the combination of SC and DNSH. For a full description of the assessment and assumptions used, please see NIB's website. NIB welcomes feedback and continued dialogue on how to develop taxonomy reporting further.

Overview of NEB categories, the primary environmental objective in the EU Taxonomy and estimated alignment against technical screening criteria for Significant Contribution and Do No Significant Harm

NEB Framework project category*		Taxonomy environmental objective	Eligibility	Significant Contribution (SC)	SC + Do No Significant Harm (DNSH)	% of NEB portfolio
Energy efficiency						
a. Energy efficiency projects in industry		-	Not eligible	-	-	1%
b. Energy efficiency in existing buildings		Climate change mitigation	Eligible	🟢	🟡	5%
Renewable energy						
a. Electricity from wind turbines, solar, tidal, wave and hydropower	Wind	Climate change mitigation	Eligible	🟢	🟢	5%
	Solar	Climate change mitigation	Eligible	🟢	🟢	0%
	Wave	Climate change mitigation	Eligible	🟢	🟢	0%
	Hydro	Climate change mitigation	Eligible	🟢	🟡	12%
b. Electricity or heat generation from geothermal installations and from biomass	Geothermal	Climate change mitigation	Eligible	🟢	🟢	1%
	Biomass	Climate change mitigation	Eligible	🟡	🟡	8%
c. Infrastructure for the production or processing of liquid biofuels		Climate change mitigation	Eligible	🟢	🟢	1%
d. Investments in the development, design and manufacturing of renewable energy technologies.		Climate change mitigation	Eligible	🟢	🟢	0%
Transmission, distribution and storage systems						
a. Transmission and distribution system (electricity)		Climate change mitigation	Eligible	🟢	🟡	3%
b. District heating and cooling		Climate change mitigation	Eligible	🟢	🟢	0.01%
Clean transport solutions						
a. Transport infrastructure		Climate change mitigation	Eligible	🟢	🟢	4%
b. Vehicles and vessels		Climate change mitigation	Eligible	🟢	🟢	13%
Water management and protection						
a. Wastewater treatment and water pollution prevention		Sustainable use and protection of water and marine resources	Eligible	🟢	🟢	20%
b. Stormwater systems and flood protection		Climate change adaptation	Eligible	🟢	🟢	1%
c. Protection of water resources		Circular economy	Eligible	⚪	⚪	0%
d. Protection and restoration of water and marine ecosystems		Substantial contribution to protection and restoration of biodiversity and ecosystems	Eligible	⚪	⚪	0%
Resources and waste management systems						
a. Resource efficiency	Material recovery	Circular economy	Eligible	🟢	🟢	0.3%
	Pollution prevention	-	Not eligible	-	-	0.3%
b. Infrastructure for better waste management		Circular economy	Eligible	🟢	🟢	0.9%
c. Energy recovery from waste	Biogas	Climate change mitigation	Eligible	🟢	🟢	0.01%
	Waste-to-Energy	-	Not eligible	-	-	2%
Green buildings						
New buildings certified according to LEED Platinum or BREEAM Excellent/Outstanding		Climate change mitigation	Eligible	🟡	🟡	25%

🟢 *Estimated aligned* 🟡 *Partly aligned* 🔴 *Not aligned* ⚪ *Could not be assessed*

The last column shows the share of NEB funds allocated to each category 2011-2021.

* ***Minimum Social Safeguards:*** *NIB has policies, standards and procedures in place for safeguarding the environmental and social sustainability of NEB financing.*

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