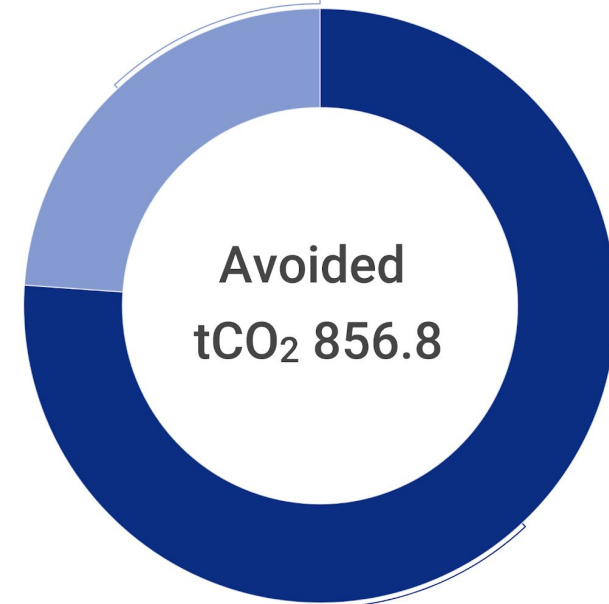


THE CITY OF REYKJAVÍK GREEN BOND IMPACT REPORT 2018

INTRODUCTION	2
AVOIDED GREENHOUSE GAS EMISSIONS	3
CLEAN TRANSPORTATION: Cycling and walking paths	4
GREEN BUILDINGS	5
Dalskóli	5
Sundhöll Reykjavíkur	5
METHODOLOGY	6
ASSURANCE REVIEW	6
DISCLAIMER	7
CITY OF REYKJAVÍK - INVESTOR RELATIONS	7

Clean transportation ISK 976.3 m



Green buildings ISK 3,110.2 m



INTRODUCTION

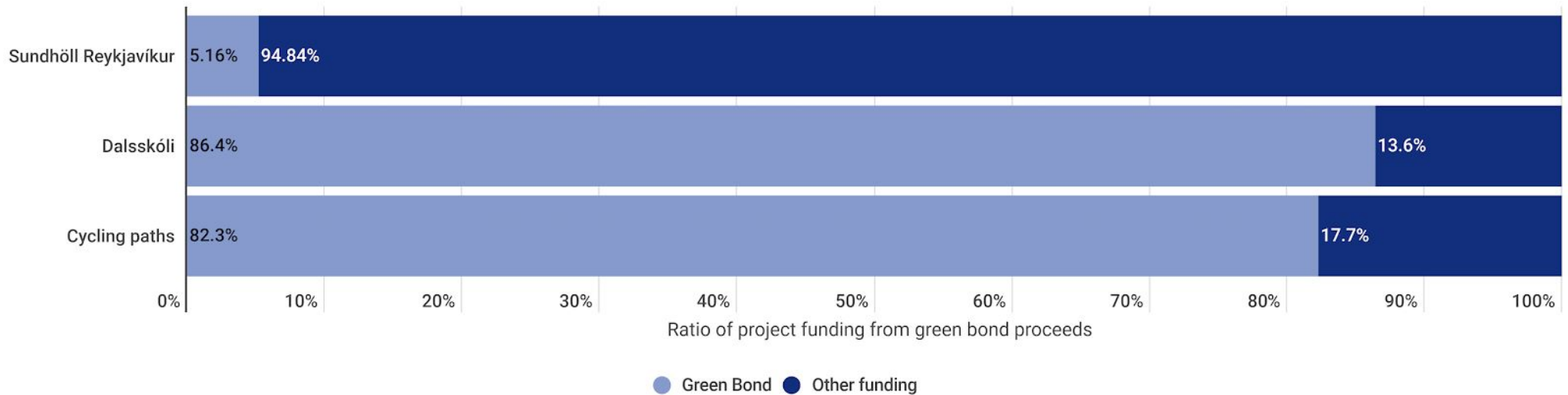
In December 2018, the City of Reykjavik established a Green Bond Framework under which it issued a green bond for the first time that same month. This Green Bond Annual Impact Review details the environmental impacts in terms of avoided greenhouse gas emissions due to the funded projects to ensure investors and other stakeholders with transparency and quality. The impact assessment illustrates the accumulated and annual environmental benefits.

The proceeds from issued green bonds in 2018 amounted to a total of ISK 4,086.5 m that were used to finance Eligible Projects, both new and existing ones, as defined in the Green Bond Framework.¹ The funded projects are under the green buildings and clean transportation project categories. Other project categories were not funded in 2018. The largest share of financing went to the BREEAM certified school, Dalskóli. In addition, walking and cycling paths were financed as well as an extension of Sundhöll Reykjavíkur swimming pool.

The table below further demonstrates how the total proceeds of ISK 4,086.5 m were allocated to different project categories and individual projects and what the total investments were from 2016.

Project category	Project	2016 ISK m	2017 ISK m	2018 ISK m	Total investment ISK m	Green bond ISK m	% of total investment
Green buildings	Sundhöll Reykjavíkur	477.9	799.6	111.6	1,389.1	71.7	5.16%
Green buildings	Dalskóli	917.7	880.4	1,717.5	3,515.6	3,038.5	86.4%
Clean transportation	Walking and cycling paths	445.1	237.1	504.1	1,186.3	976.3	82.3%
	Total	1,840.7	1,917.1	2,333.2	6,091.0	4,086.5	

¹ A look-back period to the year 2016 was used for refinanced projects. Financed projects in 2018 were considered as new projects.



AVOIDED GREENHOUSE GAS EMISSIONS

Avoided greenhouse gas emissions are emissions that would have been emitted if projects or the environmental criteria detailed under the Green Bond Framework would not have been initiated. This means that funded buildings would not be as energy efficient and fewer people would commute on bicycles.

From 2016 and throughout 2018, the calculated avoided emission of greenhouse gases resulting from these projects was 1,036.4 tCO₂e (tonnes CO₂ equivalents). Thereof, a total of 856.8 tCO₂e were attributed to the proceeds from the green bond issuances. For 2018 these amounted to 293.41 tCO₂e. For every ISK million invested an accumulated 0.21 tCO₂e have been avoided at year-end 2018.

The tables below illustrate the aggregated amount of avoided greenhouse gas emissions for each year - further detailed for each project below.

	2016	2017	2018	Total
tCO ₂ e avoided	280.32	283.02	293.41	856.8

Project portfolio	Total investment	Investment from bond	Total avoided CO ₂	Total avoided CO ₂ from bond	tCO ₂ avoided per ISK m
	6,091.0	4,086.5	1,036.4	856.8	0.21

CLEAN TRANSPORTATION: Cycling and walking paths

	2016	2017	2018	Total
tCO ₂ e avoided	280.2	282.9	291.5	854.6

The City of Reykjavik has a comprehensive plan to increase the share of cyclists in the city.² A part of this plan is to continuously construct and improve cycling routes within the city. In 2018, a part of the proceeds from green bond issuances was used to finance, in part, the construction of 12 km of cycling and walking paths.

The accumulated avoided greenhouse gas emissions allocated to the 12 km cycling paths amount to 854.6 tCO₂e and 291.5 tCO₂e in 2018 due to a consequent decrease in car commuting.



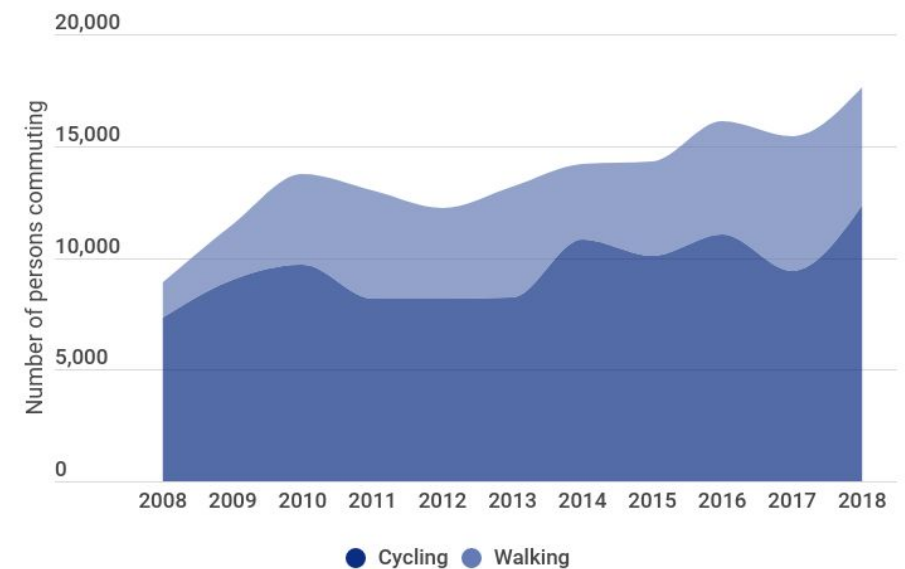
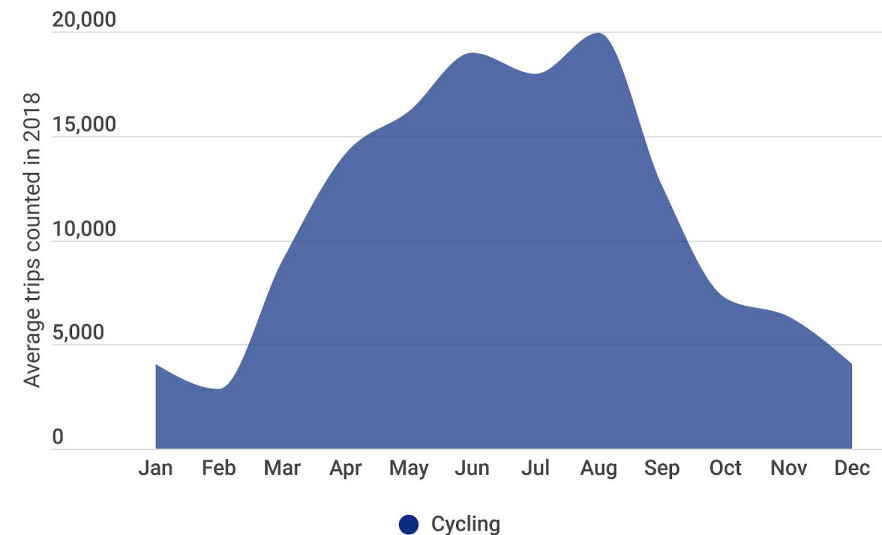
7 AFFORDABLE AND CLEAN ENERGY



11 SUSTAINABLE CITIES AND COMMUNITIES



13 CLIMATE ACTION



² The cycling plan can be accessed at www.hjolaborgin.is (in Icelandic).

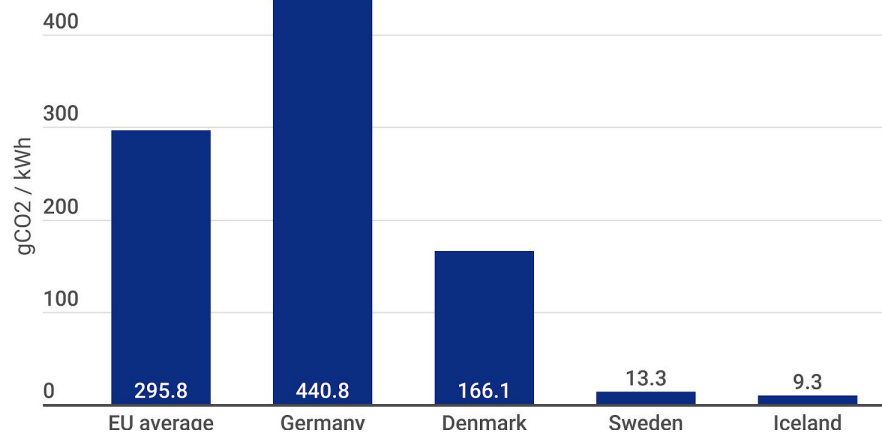
GREEN BUILDINGS

Dalskóli

	2016	2017	2018	Total
tCO ₂ e avoided	0.12	0.12	1.71	1.95
MWh saved	13.4	13.4	183.6	210.4

Dalskóli, a combined kindergarten, elementary school, and an after-school recreational centre, is located in the Úlfarsárdalur area, in the eastern part of Reykjavík. In 2019, the school is expected to achieve BREEAM 'Very Good' certification as required by the Green Bond Framework.

For Dalskóli, a total of 1.71 tCO₂e were avoided in 2018. For the previous years, 2016 and 2017, 0.12 tCO₂e were avoided each year as the school was only in partial operation. Picture below: electricity grid comparison.³



³ The electricity grid comparison above is further explained in the Methodology chapter.

Sundhöll Reykjavíkur

	2016	2017	2018	Total
tCO ₂ e avoided	0.0	0.0	0.2	0.2
MWh saved	0	0	20.2	20.2

Sundhöll Reykjavíkur was originally opened to the public in 1937. The original swimming pool was designed by Guðjón Samúelsson, the State architect at the time. An addition to the pool was opened in December 2017 and achieved a BREEAM 'Very Good' certification in January 2019.

The addition to Sundhöll Reykjavíkur had accumulated CO₂ savings of 0.2 tonnes in 2018. In 2016 and 2017, no emission savings are estimated as construction was taking place.



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



METHODOLOGY

Consequential life cycle assessment approach was used to estimate avoided emissions from the added cycling infrastructure. Cyclists are counted electronically in various locations around the city. These numbers were used to estimate the frequency of cyclists using the added infrastructure. Calculations furthermore consider fluctuations in population and cycling behaviour examined in surveys.

For green buildings, the methodology for estimating avoided emissions was adopted from guidelines provided by Nordic Public Sector Issuers.⁴ The Icelandic electricity grid mix has been estimated to emit 9.3 gCO₂e/kWh.⁵ The Icelandic electricity grid mix consists mainly of electricity produced by using hydro and geothermal energy. The energy savings because of increased efficiency in buildings are therefore less than in countries in which electricity is produced using, partly or mainly, fossil fuels. This difference can be seen in the figure on page 5.

ASSURANCE REVIEW

CIRCULAR Solutions was appointed by the City of Reykjavík to conduct this Annual Impact Review. This review details (1) the compliance of the funded projects to the Eligible Projects criteria, and (2) the environmental impact assessment, i.e. the avoided greenhouse gas emissions due to the funded projects based on internationally recognisable methodologies.

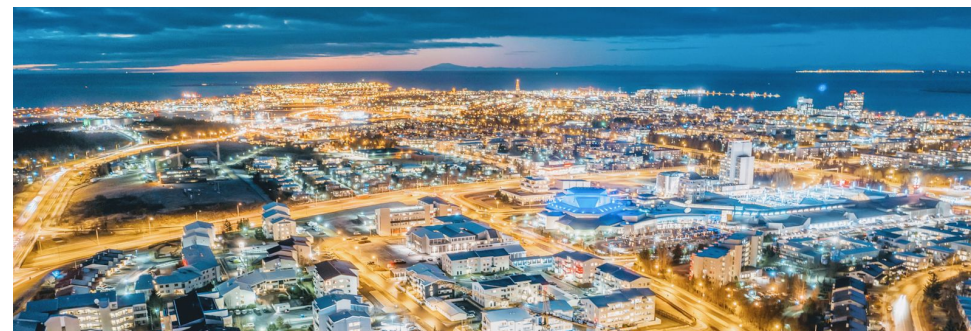
All three projects funded by the proceeds of bond issuances in 2018, by the City of Reykjavík under its Green Bond Framework comply with the Eligible

Project criteria detailed in the Framework. The funded projects comply with the following project categories listed in the Framework: green buildings and clean transportation.

Based on the aforementioned methodologies, the funded projects demonstrate a positive environmental impact, i.e. facilitate avoided greenhouse gas emissions. The total avoided greenhouse gas emissions for the project portfolio amount to 1.036,4 tCO₂e of which 856.8 tCO₂e are assigned to the proceeds from green bonds issued in 2018 under the City of Reykjavík's Green Bond Framework.

5 April 2019

Dr. Reynir Smári Atlason
Dr. Hafthór Aegir Sigurjónsson
Bjarni Herrera Thorisson, CEO
CIRCULAR Solutions ehf.
www.circularsolutions.is
www.circularbonds.com



⁴ Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting, 2019.

⁵ National Inventory Report. Emissions of Greenhouse Gases in Iceland from 1990 to 2016. The Environment Agency of Iceland.

DISCLAIMER

CIRCULAR Solutions, an independent and leading provider of green bond and sustainability consulting in Iceland conducted this green bond impact report and assurance review. The City of Reykjavík is responsible for providing CIRCULAR Solutions with accurate documentation and information relating to the details of the projects that have been funded by Green Bond issuances under its Green Bond Framework, including but not limited to a description of its investment activities/Eligible Green Projects and funded projects, estimated and realised costs of the projects, and project impact. CIRCULAR Solutions actively collected and reviewed the documentation and information from the City of Reykjavík to confirm its compliance with its Green Bond Framework. CIRCULAR Solutions made all efforts to ensure the highest quality and rigour during its assessment process.

All rights reserved. No part of this review may be copied, used, or published in any form without the prior written permission of CIRCULAR Solutions. This document is for information purposes only and CIRCULAR Solutions will not accept any form of liability for its content and/or any liability for damage arising from its use and/or the information provided in it, for investment or financial decisions, or any other decisions. As the review is based on information made available by the City of Reykjavík, CIRCULAR Solutions does not warrant that the information presented in this review document is correct, complete, accurate, or up to date. Nothing contained in this document shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include the issuer/municipality in investable portfolios. Furthermore, this document shall in no event be interpreted and construed as an assessment of the economic performance and creditworthiness of bonds issued by the issuer nor the issuer itself.

CITY OF REYKJAVÍK - INVESTOR RELATIONS

Contact: fjarstying@reykjavik.is

Helga Benediktsdóttir, Head of Treasury

+354 411 3771
+354 898 8272

Karl Einarsson, Treasury

+354 411 3780
+354 693 9358

Kristinn Karel Jóhannsson, Treasury

+354 411 3779
+354 860 4400