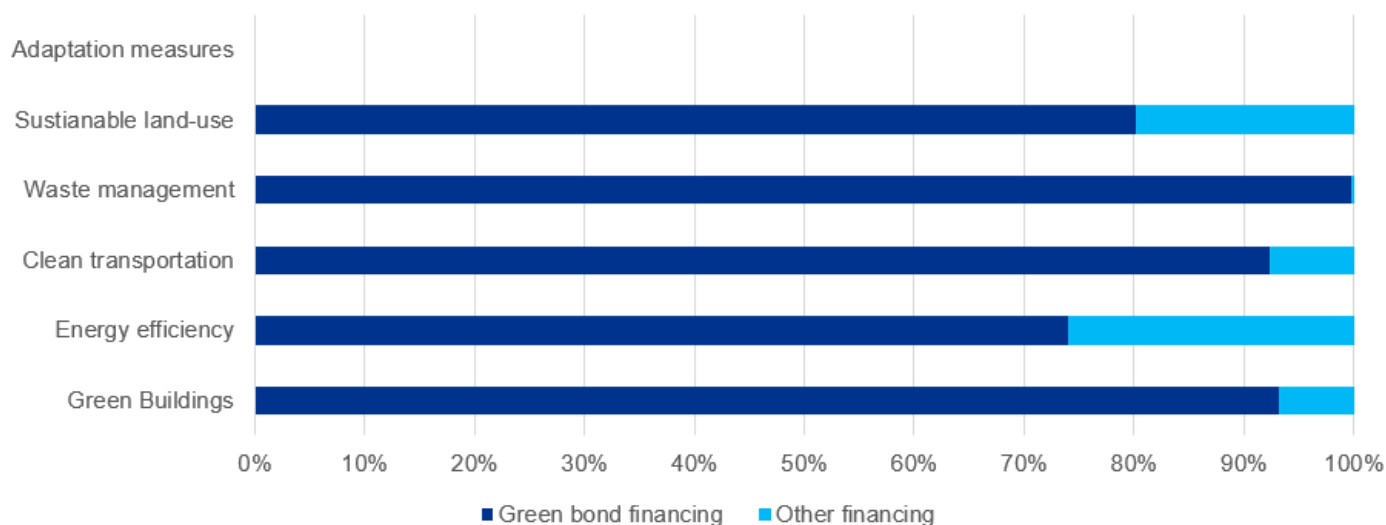
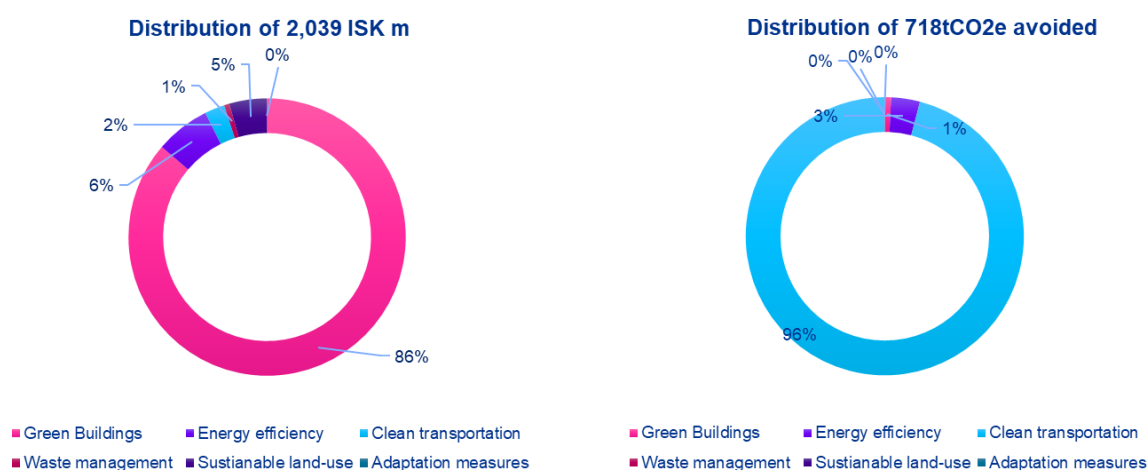


2022 Annual Green Bond Impact Report

In December 2018, the City of Reykjavík, the capital city of Iceland, established a Green Bond Framework¹ 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 'dark green' rating on the overall framework and for each of the underlying project categories. In addition, it received an 'excellent' rating for its Green Bond governance.

In the year 2022 it issued a total of ISK 2,039 m of Green Bonds all of which were used to fund Eligible Projects (as defined in the Framework), the outstanding amount at year-end was ISK 0 m. The financed Eligible Projects in 2022 resulted in total avoided emissions of 718 tCO₂e, but the overall impact in 2022 from projects funded under the framework is considerably higher.² 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, walking and cycling paths contributing the most.



¹ The City of Reykjavík's Green Financing Framework was established with a refinancing look-back period to 2016.

² For Eligible Projects funded by financing activities in the years 2019, 2020 and 2021, the resulting avoided emissions are 41,153 tCO₂e in the year 2022. The overall impact in 2022 is thus 718 + 40,434 = 41,153 tCO₂e as reflected in Table 2 on page 2.

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

| Project category | Eligible Project | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Green investment | % Green bond funding |
|----------------------|-------------------------------|-------|-------|---------|---------|-------|-------|-------|------------------|----------------------|
| Green buildings | Sundhöll Reykjavíkur | 477.9 | 799.6 | - | - | - | - | - | 1,277.5 | 89% |
| | Skóli | 917.7 | 884.7 | 1,721.3 | 1,244.8 | 412.1 | 263.8 | 71.9 | 5,515.6 | 99% |
| | Menningar-miðstöð | 25 | 53 | 51 | 220 | 246 | 356 | 63 | 1,013.0 | 96% |
| | Sundlaug Úlfarsbraut | - | - | 15 | 379 | 361 | 497 | 50 | 1,302.0 | 98% |
| | Íþróttahús | 1 | 3 | 15 | 506 | 1,148 | 1,817 | 1,129 | 4,618.9 | 86% |
| | Hverfastöð | 126.4 | 182.8 | 127.0 | 803.1 | 21.2 | 3.5 | 1.30 | 1,265.4 | 100% |
| | Grófarhús | - | - | - | - | 2.5 | 10.4 | 47.9 | 60.6 | 0% |
| | Miðborg leikskóli | - | - | - | - | 23.7 | 116.7 | 82.0 | 221.7 | 80% |
| Energy efficiency | LED götulýsing | 36.9 | 88.5 | 68.5 | 277.1 | 422.7 | 365.1 | 453.8 | 1,710.4 | 74% |
| Clean transportation | Göngu- og hjólréiða-stígar | 445 | 237 | 504 | 354 | 320 | 355 | 166 | 2,376.1 | 94% |
| | Umhverfis-vænar sorpbifreiðar | 98 | - | 42 | - | - | - | - | 140.6 | 100% |
| | Rafmagns-bifreiðar | - | 12 | - | 3 | 49 | - | - | 64.6 | 100% |
| | Hleðslu-stöðvar | - | 8 | 67 | 8 | 82 | 37 | 71.3 | 272.6 | 77% |
| | | | | | | | | | | |
| Sustainable land-use | Endurheimt votlendis | - | - | 4 | 15 | 14 | 11 | 0 | 45.0 | 100% |
| | Skógrækt | - | - | - | - | 9 | 19 | 18.0 | 46.2 | 61% |
| | Græna netið | - | - | - | - | 74 | 90 | 40.8 | 203.8 | 80% |
| Waste management | Gas og jarðgerðar-stöðin | - | - | 199 | 113 | 563 | - | - | 875 | 16% |
| | Grendar-stöðvar | - | - | - | 19 | 36 | 35 | 3.1 | 93.5 | 97% |
| Adaptation measures | No projects have been funded | - | - | - | - | - | - | - | - | - |

Table 2: Overview of the impact of each eligible project funded under RVK's Green Bond Framework.

| Project category | Eligible Project | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total avoided |
|----------------------|------------------------------|------|------|------|------|------|------|-------|----------------|
| Green buildings | Sundhöll Reykjavíkur | - | - | 3.1 | 2.8 | 3.0 | 4.4 | 4.3 | 17.6 |
| | Skóli | 2.6 | 2.1 | 1.9 | 2.3 | 2.6 | 2.7 | 2.5 | 16.6 |
| | Menningarmiðstöð | - | - | - | - | - | - | - | - |
| | Sundlaug Úlfarsbraut | - | - | - | - | - | - | - | - |
| | Íþróttahús | - | - | - | - | - | - | - | - |
| | Hverfastöð | - | - | - | - | 3.1 | 3.0 | 2.7 | 8.8 |
| | Grófarhús | - | - | - | - | - | - | - | - |
| | Miðborg leikskóli | - | - | - | - | - | - | - | - |
| Energy efficiency | LED götulýsing | - | 2.0 | 2.0 | 15.6 | 15.1 | 21.6 | 24.1 | 80.4 |
| Clean transportation | Göngu- og hjólréiðastígar | 83 | 202 | 352 | 418 | 516 | 351 | 617 | 2,539.2 |
| | Umhverfisvænar sorpbifreiðar | 41 | 26 | 52 | 74 | 69 | 521 | 662 | 1,444.1 |
| | Rafmagnsbifreiðar | - | 1.2 | 4.4 | 5.6 | 12.1 | 18.8 | 33.2 | 75.2 |
| | Hleðslustöðvar | - | - | 3.3 | 18.4 | 34.4 | 49.8 | 71.5 | 177.3 |
| | | | | | | | | | |
| Sustainable land-use | Endurheimt votlendis | - | - | - | 141 | 341 | 352 | 1,152 | 1,986 |
| | Skógrækt | - | - | - | - | - | - | - | - |
| | Græna netið | - | - | - | - | - | - | - | - |

| | | | | | | | | | |
|---------------------|------------------------------|---|---|---|---|-------|--------|--------|---------------|
| Waste management | Gas og jarðgerðarstöðin | - | - | - | - | 2,436 | 38,830 | 38,583 | 79,850 |
| | Grendarstöðvar | - | - | - | - | - | - | - | - |
| Adaptation measures | No projects have been funded | - | - | - | - | - | - | - | - |

About the City of Reykjavík

The City of Reykjavík, which governs approximately 137,000 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 Compact 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.

Green buildings

Dalskóli, 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. The Sundhöll Reykjavíkur swimming pool has achieved BREEAM Very Good certification and is outperforming comparable swimming pools with regards to energy efficiency. The relatively modest climate change impact 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. A BREEAM certified Very Good neighbourhood workstation was added in 2021, used to maintain public spaces in the area. A swimming pool, sports complex and culture hall were also all funded in 2021. The swimming pool and culture hall were opened in December 2021. 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. There are efforts to improve data quality from the buildings under the green building category, it is expected that in the next impact report more information on the impact of the projects will be provided.

| Green buildings | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------|------------------------------|------|------|------|------|------|------|-------|
| | tCO ₂ equivalence | | | | | | | |
| Sundlaug | | | 3.1 | 2.8 | 3.0 | 4.4 | 4.3 | 17.6 |
| Hverfisstöðin Örfyrisey | | | | | 3.1 | 3.0 | 2.7 | 8.8 |
| Dalskóli | 2.6 | 2.1 | 1.9 | 2.3 | 2.6 | 2.7 | 2.5 | 16.6 |
| Total | 2.6 | 2.1 | 4.9 | 5.1 | 8.7 | 10.1 | 9.5 | 43.0 |

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. To date, almost 15,000 light bulbs have been replaced. The relatively modest climate change impact is a result of the low carbon intensity of energy supply for lighting in Reykjavík.

| Energy efficiency | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------|------------------------------|------|------|------|------|------|------|-------|
| | tCO ₂ equivalence | | | | | | | |
| LED lighting | 0.0 | 2.0 | 2.0 | 15.6 | 15.1 | 21.6 | 24.1 | 80.4 |
| Total | 0.0 | 2.0 | 2.0 | 15.6 | 15.1 | 21.6 | 24.1 | 80.4 |

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. At year-end 2022, the construction of 24.4 km of cycling and walking paths have been 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. Charging stations for electric vehicles have been installed in various locations around Reykjavík. 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.

| Clean transportation | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---------------------------|------------------------------|-------|-------|-------|-------|-------|--------|--------|
| | tCO ₂ equivalence | | | | | | | |
| Walking and cycling paths | 83.3 | 202.2 | 351.7 | 418.0 | 516.2 | 350.5 | 617.4 | 2539.2 |
| Clean bin lorries | 41.2 | 25.6 | 51.7 | 74.3 | 68.7 | 520.6 | 662.0 | 1444.1 |
| E-vehicles | 0.0 | 1.2 | 4.4 | 5.6 | 12.1 | 18.8 | 33.2 | 75.2 |
| Charging stations | 0.0 | 0.0 | 3.3 | 18.4 | 34.4 | 49.8 | 71.5 | 177.3 |
| Total | 124.5 | 228.9 | 411.0 | 516.2 | 631.4 | 939.8 | 1384.1 | 4235.8 |

Waste management

A valuable input in the transformation from fossil fuels dependence to renewables in transportation is the use of biogas which is already being produced in Iceland. Plans are to increase the capacity of such production in a new plant in Álfsnes. This biogas plant began operation in 2020.

The plant was not fully operational for the whole of 2020 which explains the increased avoided impact in 2021 and 2022. It was started up in later part of 2020 and was mostly operating in a start-up phase. The plant produced 975,942 Nm³ of biogas. Also funded in 2022 were new neighbourhood waste containers.

| Waste management | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---------------------------|------------------------------|------|------|------|-------|--------|--------|--------|
| | tCO ₂ equivalence | | | | | | | |
| Gas- and composting plant | 0 | 0 | 0 | 0 | 2,436 | 38,830 | 38,583 | 79,850 |
| Total | 0 | 0 | 0 | 0 | 2,436 | 38,830 | 38,583 | 79,850 |

Sustainable land-use

Wetland reclamation is an effective way of preventing emissions of GHGs. The Icelandic government has defined wetland reclamation as one of the key actions to address climate change in order to meet the country's obligations towards the Paris Agreement.

In 2022, the City of Reykjavík did not reclaim much wetlands. The reduction of GHG emissions is due to previous year operations, which will continue for the next several years. The wetland reclamation project, when completed, is estimated to reclaim wetlands of over 87 hectares. In 2022 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 2022 planting of plants to increase the plant life in the city, also not included as measurements are not ready.

| Sustainable land-use | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|----------------------|------------------------------|------|------|-------|-------|-------|--------|--------|
| | tCO ₂ equivalence | | | | | | | |
| Wetland reclamation | 0.0 | 0.0 | 0.0 | 141.3 | 341.4 | 351.7 | 1151.7 | 834.3 |
| Total | 0.0 | 0.0 | 0.0 | 141.3 | 341.4 | 351.7 | 1151.7 | 1986.0 |

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.³ 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 10.3 gCO₂e/kWh. 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. The impact of the category 'sustainable land-use' was found by estimating the impact of wetland reclamation using relevant location-relevant factors. Recent research has shown avoided emissions to be 19.5 tCO₂e ha⁻¹yr⁻¹, which was applied proportionally to these impact calculations. The impact of the gas and composting plant was found by estimating the difference in impact between landfilling the waste processed and the production of gas to be used by vehicles and composting what remains.

KPMG's role

KPMG ehf. was appointed to calculate the positive environmental impact of Reykjavík's green bond funded operations at the year-end 2022. KPMG advised on the methodology, received necessary data from Reykjavík and calculated the financial impact. KPMG's engagement was not bound by any assurance standards nor provided an opinion.

12. April 2023

³ International Capital Market Association's Green Bond Principles' Handbook on Harmonized Framework for Impact Reporting (June 2022)