

An aerial photograph of a green agricultural field, possibly a rice paddy, with a teal circle overlay. The text 'ALTUM' is centered within the circle.

ALTUM

**UPDATED GREEN
BOND
FRAMEWORK**

15.12.2021

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WHAT IS ALTUM

ALTUM is a state-owned development finance institution, which offers state aid for various target groups with the help of financial tools (such as loans, credit guarantees, investing in venture capital funds, etc.). ALTUM develops and implements state aid programmes to compensate for the market's shortcomings that can't be solved by private financial institutions.

State aid programmes implemented by ALTUM, are funded by (i) public resources – European Union and national budget and (ii) ALTUM's own financing, incl. loans from international and national institutions as well as raised in capital markets.

All voting shares of the Company are owned by the Republic of Latvia. The holders of the shares are the Ministry of Finance, the Ministry of Economics and the Ministry of Agriculture. The Company's operations are governed by its specific law – Development Finance Institution Law. In its activities, Altum has established the best practice of corporate governance principles stipulated by Development Finance Institution Law, the Commercial Law, Law On Governance of Capital Shares of a Public Person and Capital Companies and other binding normative acts as well as follows recommendations of the Corporate Governance Code. ALTUM's statutes are approved by the Cabinet of Ministers of the Republic of Latvia.



ALTUM'S SUSTAINABILITY CONTRIBUTION

Sustainability is central part of ALTUM's business and strategy and is becoming important strategic driver in banking industry as well as for development financial institutions in Europe. ALTUM takes responsibility for the long-term economic, environmental and social impact of its everyday business and is constantly working to reduce its environmental footprint and to positively contribute to sustainable development, by establishing sustainable strategy and acting responsibly when conducting its business. In addition, ALTUM intends to facilitate its clients transition into sustainable economy and support them in this process.

Sustainability recognition: In 2021 ALTUM received the Platinum or highest category award in the Sustainability Index, which assesses company sustainability according to international requirements in all areas of corporate social responsibility.

Sustainability in ALTUM builds on the UN sustainable development goals (SDGs), which represent the world's shared schedule for eliminating poverty, combating inequality and halting climate change by 2030. ALTUM's Green Bond Framework has influence over several of the SDGs, and considers that the most relevant approach is to give emphasis to:

7 AFFORDABLE AND CLEAN ENERGY



ENSURE ACCESS TO
AFFORDABLE,
RELIABLE,
SUSTAINABLE AND
MODERN ENERGY FOR
ALL

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



BUILD RESILIENT
INFRASTRUCTURE,
PROMOTE INCLUSIVE
AND SUSTAINABLE
INDUSTRIALIZATION
AND FOSTER
INNOVATION

11 SUSTAINABLE CITIES AND COMMUNITIES



MAKE CITIES AND
HUMAN SETTLEMENTS
INCLUSIVE, SAFE,
RESILIENT AND
SUSTAINABLE

13 CLIMATE ACTION



TAKE URGENT
ACTION TO COMBAT
CLIMATE CHANGE
AND ITS IMPACTS

GREEN BOND FRAMEWORK (2017)

ALTUM published its inaugural Green Bond Framework in September 2017 which received a Medium Green shading from CICERO.



The following is a high-level summary of green shadings assigned to ALTUM’s Eligible Project categories in its 2017 Green Bond Framework:

ELIGIBLE PROJECT CATEGORY	GREEN SHADING BY CICERO
RENEWABLE ENERGY	DARK GREEN
ENERGY EFFICIENCY	MEDIUM-DARK GREEN
GREEN BUILDINGS	MEDIUM GREEN
SUSTAINABLE TRANSPORTATION	DARK GREEN

UPDATED GREEN BOND FRAMEWORK:

ALTUM’s Green Bond Framework (2017) has been subject to an update. Revised Green Bond Framework follows the recommendations outlined in the 2021 edition of the Green Bond Principles by ICMA.

As in the 2017 Framework, the updated version continues to be aligned with recommended components of the Green Bond Principles:

- use of Proceeds;
- process for Project Evaluation and Selection;
- management of Proceeds;
- reporting;
- external Review.

The 2021 Framework place greater emphasis on the environmental and social risks assessment when evaluating Eligible Projects.

ALTUM is in the process of monitoring the developments in the EU Taxonomy and in the EU Green Bond Standards. Therefore, this Framework may be in the future subsequently amended in order to be aligned with the most recent EU-wide green finance standards.

USE OF PROCEEDS

Eligible Projects are specifically selected loans to Latvian clients funded, in whole or in part, by ALTUM with the purpose of promoting the transition to low carbon and sustainable development in accordance with the Latvian long term national policies and strategies in the energy sector.

Eligible Projects will be financed in accordance with the ALTUM loan programmes.* The programmes specify that financing from ALTUM in the form of loans is available to viable business projects in the field of energy efficiency, renewable energy and carbon reduction measures.

As in ALTUM's Green Bond Framework (2017), the allocated green bond proceeds finance and refinance projects within four eligible green bond categories:

- renewable energy;
- energy efficiency;
- green buildings;
- sustainable transportation.



**Loans for Promoting the Development of Micro, Small And Medium Sized Merchants and Agricultural Service Co-operative Societies* (<https://likumi.lv/doc.php?id=198282>) and new loan programmes Under the European Union Recovery and Sustainability Mechanism Plan for "Increasing Energy Efficiency in Entrepreneurship" (No. 1.2.1.2.i.) and European Union Structural Funds and Cohesion Fund 2021-2027 for the implementation of the specific support objective No. 6.1.1. "Mitigation of the economic, social and environmental consequences of the transition to climate neutrality in the most affected regions". The Law on Development Finance Institution (<https://likumi.lv/doc.php?id=270323>) states that ALTUM can implement programmes only in accordance with the Cabinet of Ministers Regulations. Respective regulations lay down ALTUM loan programmes' conditions.

ELIGIBLE PROJECT CATEGORIES

RENEWABLE ENERGY

Wind, solar and bio energy* as well as related infrastructure

*Sources for bio energy should be short rotation forestry, energy crops, wood wastes, agricultural residues, sewage sludge, industrial residues and municipal bio-degradable waste that are sourced near region (up to 300 km). Allocations from the Green Bond proceeds to bioenergy are restricted to a maximum of 20 per cent of the total allocation to renewable energy projects.

ENERGY EFFICIENCY

1. Renewable energy and related Infrastructure.
2. Energy recovery projects. Measures contributing to a more efficient use of energy.
3. Investments in equipment and devices in each case leading to energy efficiency gains of at least 25 per cent as per se or at the level of the production unit to be processed.
4. Minor renovations of commercial or residential buildings leading to reduced energy use per year on a sq.m. basis

GREEN BUILDINGS*

1. Residential or non-residential buildings with EPC-labels at least A, set in accordance with national regulations.
2. Major renovations of commercial or residential buildings leading to reduced energy use per year on a sq.m. basis of at least 35 per cent.

*Allocations from the Green Bond proceeds to green buildings are restricted to a maximum of 30 per cent of the total allocations.

SUSTAINABLE TRANSPORTATION

Transportation solutions/systems based on non-fossil fuel and supporting infrastructure. Includes, but is not restricted to:

- zero-emission vehicles;
- zero-emission passenger vehicles for public transportation;
- charging infrastructure to support clean transportation.

- ALTUM's Green Bonds will not finance nuclear power or fossil-fuel energy generation projects.
- ALTUM's Green Bonds can be used to finance new projects and to refinance Green Projects in accordance with the Green Bond Framework.
- The share of proceeds from ALTUM's Green Bonds that are allocated to new projects and to completed projects respectively at the time of approval will be reported upon in the annual Investor Letter.



PROCESS FOR PROJECT EVALUATION AND SELECTION

GREEN PROJECTS WILL BE EVALUATED ACCORDING TO:



ALTUM's Creditworthiness
appraisal methodology for
Business loans



Green Bonds Framework



Related legislation

- Potential Green Projects will be selected and approved in consensus by the Loan and Guarantee Department and the Energy Efficiency Programme Department. Only projects where there is a high likelihood that the net, long-term environmental effects are positive will be approved.
- ALTUM ensures to follow EU sustainable finance best industry practices when assessing environmental and social risks. Eligible Projects must comply with national as well as EU regulations and standards, including environmental and social requirements. ALTUM will use its internal experts with appropriate competence when evaluating environmental and social risks in potential Green Projects.
- If, for any reason, a Green Project ceases to meet the environmental criteria on the basis of which it was approved, the Project will be removed from pool of Eligible Projects for financing from ALTUM's Green Bonds.



MANAGEMENT OF PROCEEDS

The Green Bond Proceeds will be managed by ALTUM on an aggregated basis for multiple Green Bonds. Meaning that ALTUM will allocate its proceeds from the Green Bonds to Eligible Projects, selected in accordance with the Eligible Project criteria set out in Use of Proceeds and Process for Project Evaluation and Selection described in previous sections. ALTUM will record all the Green Projects under the Project categories which forms the basis for the impact reporting.

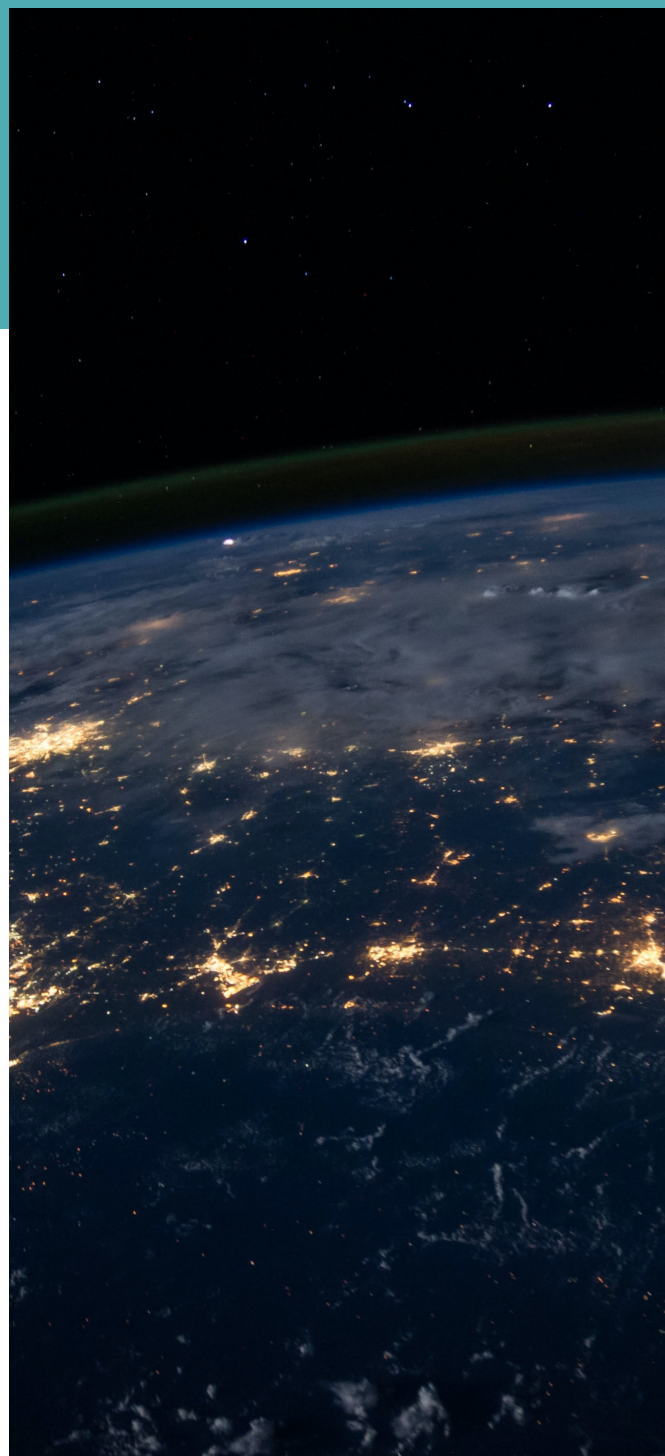
The net proceeds from the issue of Green Bonds shall be credited to a separate account with the purpose to finance Eligible Projects as defined above. As long as Green Bonds are outstanding and proceeds from issues are available on a separate account, ALTUM shall, at the end of every fiscal quarter, deduct funds from the separate account in an amount equal to disbursements to Eligible Projects made during such quarter. Until disbursement to Eligible Projects, the separate account balance will be placed as part of the liquidity reserve.

Projects that are no longer eligible will be substituted as soon as practicable, on a best effort basis.

REPORTING

To enable investors to follow the development of ALTUM's Green Bonds and to get insight into prioritised areas, ALTUM will provide an annual Investor Letter including:

1. aggregated overview of financed Eligible Projects at Eligible Project category level including information on the allocation of proceeds and impact indicators;
2. project-by-project list of financed Eligible Projects including information on the allocation of proceeds and impact indicators;
3. a selection of Eligible Projects descriptions with impact reporting;
4. the share allocated to new projects and to completed projects respectively, and
5. a summary of ALTUM's Green Bond development.



ALTUM encourages and promotes the use of impact reporting and will provide that when feasible at the Eligible Project category level on an aggregated basis as well as on project basis in respective project-by-project report as annex to annual Investor Letter.

The following indicators represent examples of impact indicator's disclosure which may be applied by ALTUM:

ELIGIBLE PROJECT CATEGORY	SELECTED INDICATORS, BUT NOT RESTRICTED TO
RENEWABLE ENERGY	<ul style="list-style-type: none"> • Reduced GHG Emissions in tCO₂e p.a • Energy Reduced in MWh p.a
ENERGY EFFICIENCY	<ul style="list-style-type: none"> • Reduced GHG Emissions in tCO₂e p.a • Energy Reduced in MWh p.a
GREEN BUILDINGS	<ul style="list-style-type: none"> • Reduced and/or Avoided GHG Emissions in tCO₂e p.a • Energy savings in MWh p.a
SUSTAINABLE TRANSPORTATION	<ul style="list-style-type: none"> • Reduced GHG Emissions in tCO₂e p.a • km of clean transportation generated p.a

PRE- AND POST-ISSUANCE VERIFICATION

Pre-Issuance To confirm the transparency and robustness of the Framework, it is verified by an external second opinion provider CICERO Shades of Green. The second opinion is available on ALTUM's website, together with this Framework.

Post-Issuance The internal tracking method, allocation and management of proceeds from the Green bond issue and the compliance of the selection of Eligible Green Projects within the Framework is reviewed annually by ALTUM's Internal Audit. A verification reports provided by Internal Audit are published on ALTUM's website.

