

# Latvenergo – Green Bond Framework

28 April 2015

## 1. EARMARKED ACCOUNT

An amount equal to the net proceeds of the issue of the Notes will be credited to a special account that will support Latvenergo Group lending for Eligible Projects. As long as the Notes are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to Latvenergo Group's cash pool in an amount equal to all disbursements from that pool made during such quarter in respect of funding and/or refinancing of Eligible Projects. Until disbursement to Eligible Projects, the special account balance will be placed in liquidity reserves.

## 2. ELIGIBLE PROJECTS

**“Eligible Projects”** means a selected pool of projects funded, in whole or in part, by Latvenergo Group that promote the transition to low carbon and climate resilient growth and as determined by Latvenergo.

Eligible Projects include projects that target (a) mitigation of climate change, including investments in low-carbon and clean technologies, such as renewable energy and energy efficiency projects, (b) environmental preservation, including flood protection projects, (c) to a smaller extent (max 10%) projects related to a sustainable environment.

Eligible Projects:

- **Renewable energy** (developing new capacities and reconstruction of the existing capacities of renewable energy - hydro, bio energy (non-food) and wind and related infrastructure);
- **Energy efficiency** (construction and reconstruction of transmission and distribution networks to decrease network losses and provide possibilities to connect renewable energy; smart grid projects);
- **Environment preservation** (flood protection, waste and water management);
- **Sustainable environment** (max 10% of issued amount) (environmental research and development and programs within nature conservation and biodiversity).

Latvenergo Green Bonds will not finance nuclear or fossil projects. Latvenergo Green Bonds can be used to finance new projects and to refinance Eligible Projects. The ambition is to use the majority of the Green Bond proceeds for financing of new projects and refinancing of Eligible projects finalized within one year prior to the issue or later.

## 3. SELECTION OF ELIGIBLE PROJECTS

All expenditures and capital investments are approved in accordance with the general policies of the Latvenergo Group. Once a quarter, in accordance with the internal procedure on implementation of the Green Bond Framework, the Environment department together with the Treasury department will analyse all current projects of the Latvenergo Group and recommend projects that comply with Eligible Project criteria and thus shall be financed from proceeds of the Green Bond. The quarterly list of the Eligible Projects will be approved by Latvenergo's Chief Financial Officer.

## 4. TRANSPARENCY

To allow investors to follow the environmental initiatives of the Latvenergo Group, once a year the Group will issue a Green Bond report including a list of the projects financed from Green Bond proceeds, as well as examples of project achievements in the priority areas set in the Green Bond Framework. The report will be published on Latvenergo's web page.