

Green Finance Framework

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1. Background

1.1 Introduction to Korkia

Korkia Group is an internationally operating investment and advisory company focusing on renewable energy. At the core of our business is creating new growth and returns for our customers – with a positive impact. Our mission is to produce clean megawatts to the market to ensure that future generations have an economically prosperous and sustainable world to live in.

We offer our institutional customers and high net-worth individual clientele alternative investments in renewable energy. We are regulated by the Finnish Financial Supervisory Authority and hold an AIFM licence for offering alternative investment funds that invest in green energy development.

Our customers are domestic and international investors, companies, and institutions. We have years of experience in developing, buying, and managing international energy investments. Before concentrating on the development phase of energy investments, we built more than 30 renewable energy power plants in Europe and Latin America. Our current (in September 2023) renewable energy active development pipeline with our 12 joint venture partners is 11 gigawatts in close to 90 projects. We are present and have renewable energy investments in Sweden, Finland, Spain, Greece, Canada, the UK, Italy, Romania and Chile.

Korkia Group consists of Korkia Oy, Korkia Capital Oy which provides alternative investment fund management related to financing renewable energy investments and Korkia Asset Management which provides investment services and several other

companies which focus on renewable energy projects, project portfolio management such as Korkia Venture Insight Oy, Korkia Venture Insight Uk Ltd and Korkia Renewables Oy among others. The Group is headquartered in Helsinki, Finland. Our team consists of 50 experts in energy and investment business. The company is privately owned by employees who hold majority decision power and other over 500 external shareholders. This Framework will apply to Korkia Oy and its subsidiaries (hereafter "Korkia").

Korkia, together with its daughter companies, is tackling the urgent need to create renewable energy to replace fossil energy globally. During 2021, we introduced a joint venture model at the centre of our business. We integrate our broad expertise in the joint venture model by uniquely combining project development, private equity investment, financial modelling, and portfolio management. We have been able to attract some of the best green energy project developers globally at a record pace.

Our goal is to be one of the largest renewable energy pipeline enablers and to increase the size of our portfolio of projects in active development phase via growth of our existing joint ventures and establishing new joint ventures. This will be reached by partnering with local developers and using our unique, mutually beneficial, financing model to build bigger renewable energy pipelines with a joint venture model and attracting new joint venture partners in new markets.

1.2 Korkia and sustainability

At the heart of all our business operations is promoting sustainability from a business perspective – new growth and returns with a positive impact. For us, sustainable business is not charity or compensation, but above all a way to achieve long-term competitive

advantage and create new growth and profits.

We comply with the laws of all countries, rules and official regulations in which we act. Korkia has a strategy approved by its board, according to which the company's business, risk management and administration are managed effectively and in accordance with prudent business principles in all of Korkia Group companies.

The implementation of sustainability will be monitored by the Sustainability Committee who is also responsible for developing and annually reviewing the Group wide sustainability policy while also monitoring sustainability market developments. The Sustainability Director who is part of the Sustainability Committee is responsible for the integration of the policy into Korkia's day-to-day operations and ensuring progress towards targets and commitments. The Sustainability Director is further responsible for the Korkia maintaining a strong sustainability focus, particularly for matters material to sustainable development. Korkia Group Board of Directors is responsible for approving the sustainability policy. Internal audits are regularly performed by companies like PwC and KPMG as the Group's auditors. The Group wide sustainability policy will be signed off by the Board and made available on our website after approval.



Korkia Capital Oy is a signatory to the UN Principles for Responsible Investment (UNPRI).

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https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf



We are also a member of FINSIF, Finland's Sustainable Investment Forum ry. FINSIF is a member of FIBS and EUROSIF.

2. Green Finance Framework

This Green Finance Framework has been developed in alignment with the 2022 version of Green Bond Principles¹ published by the International Capital Markets Association ("ICMA") and the 2021 version of the Green Loan Principles², published by the Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA") and the Loan Syndications and Trading Association ("LSTA") respectively. In line with best market standard, the framework is structured around the four core components of ICMA GBP:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

Furthermore, definition of the Eligibility Criteria for Green Assets is based on the EU Taxonomy³ for sustainable activities. The Green Assets substantially contribute to climate change mitigation. The Do no significant harm (DNSH) principles of the other EU Taxonomy objectives are also considered where feasible. Korkia will continue to monitor the development of the EU Taxonomy, and other taxonomies,

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https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

³ [EUR-Lex - 32021R2139 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/lexuri/cs/l/uri/?uri=CELEX:32021R2139-EN)

regulations, and market standards as it is Korkia's ambition to align with best practice.

2.1 Use of Proceeds

Korkia has established this Green Finance Framework to issue Green Finance Instruments such as Green Bonds, Green Loans, Green Commercial Papers, Green Private Placements, and other types of debt instruments where the use of proceeds will be exclusively applied to finance or refinance (equity or debt), in part or in full, new and/or existing eligible Green Assets (companies, activities, and projects) with demonstrable environmental long-term benefits. All Green Assets financed under this Framework are required to align with at least one of the Eligible Green Asset categories and their respective Eligibility Criteria.

Eligible projects, companies, and activities are those that meet the Green Assets Eligibility Criteria. These are fully or partly, directly or indirectly owned by Korkia, its subsidiaries or any of its JVs. While Korkia aims to track proceeds to an exact project or asset, Korkia will also apply allocation procedures based on a balance sheet approach, in which, due to Korkia's operation being directly or indirectly related to the activities outlined below ("pure play"), it can be considered that all projects undertaken by Korkia (including JVs) outside of the exclusion criteria outlined below can be financed using Green Instruments. Non-green Assets,

captured by the exclusion criteria, will not be funded with Green Instruments.

Korkia currently only engages in the development phase of utility-scale solar and onshore wind. The current development pipeline allocation is ~86% solar, ~9% wind, and ~5% batteries (MWs). Projects are sold before construction and operation to developers. In this phase, many decisions are taken that impact whether the respective economic activity could classify as EU Taxonomy aligned or not, including the incorporation of DNSH measures for climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, protection and restoration of biodiversity and ecosystems in environmental impact assessments (EIA).

It is Korkia's ambition to be able to sell projects to buyers who are interested in EU Taxonomy alignment or to operate the projected power plants according to EU Taxonomy alignment. Thus, all relevant EU Taxonomy criteria are applied to the Green Projects. Currently, Korkia defines itself as an enabling activity for electricity generation from solar photovoltaics (PV) and wind power as Korkia invests in the development phase. In the future, Korkia may also invest in construction and operation of Green Projects as defined below, thereby substantially contributing on its own. For both types of activities (enabling and contributing on its own), the same Eligibility Criteria apply.

Table 1: Eligible Green Assets

ICMA GBP Project Categories / EU Taxonomy objective	Project Description	EU Taxonomy Economic Activity	Eligibility Criteria	UN SDG Mapping
Renewable Energy / Climate Change Mitigation	Investments and expenditures in products, technologies, development and services related to development, construction, and operation of renewable energy power plants and facilities.	4.1 Electricity generation using solar PV technology	Technical screening criteria for substantial contribution to climate change mitigation as set by the Commission Delegated Regulation (EU) 2021/2139 for each economic activity/project category. ⁴	7.1, 7.2, 9.1, 9.4, 13.1, 13.3
		4.2 Electricity generation from wind power		
	Investments and expenditures in products, technologies, development and services related to electricity and hydrogen storage from renewable energy.	4.2 Electricity generation from wind power		
		4.10 Storage of electricity		
	Investments and expenditures in products, technologies, development, and services related to the manufacture of hydrogen from renewable energy sources.	4.12 Storage of hydrogen		
		3.10 Manufacture of hydrogen		

DNSh on the other EU taxonomy objectives (climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection

and restoration of biodiversity and ecosystems) for each respective economic activity will also be considered in Korkia's investment process, where feasible. Korkia will also establish necessary due diligence

⁴ [EUR-Lex - 32021R2139 - EN - EUR-Lex \(europa.eu\)](#)

procedures for minimum social safeguards. These processes are described in the next section.

Eligible Green Assets will have a lookback period of three years from the issuance date of the Green Finance Instrument. As part of Korkia's policy on sustainability, net proceeds will not be allocated to the fossil fuel industry (energy generation, infrastructure and machinery, processing, extraction, etc.), fossil fuel based transportation, renewable energy that expands the capacity of oil and gas, buildings directly heated by fossil fuels, nuclear energy generation, weapons and defence, potentially environmentally negative resource extraction (e.g. mining of rare minerals), gambling, alcoholic beverages or tobacco, and livestock.

2.2 Process for Project Evaluation and Selection

Following the Pure Play approach, all projects, companies, activities and assets undertaken and invested in by Korkia are considered green, except for those captured by the exclusion criteria. As the Green Assets described above form the foundation of Korkia's business, the Group wide Sustainability Committee will evaluate and approve Green Eligible Assets to be financed with Green Finance Instruments. The Sustainability Committee consists of preliminary members of Korkia's management board and its Sustainability director who has a Group wide role. Other internal representatives with specific expertise may be involved in decision making when deemed necessary.

The Sustainability Committee is responsible for the evaluation and selection process of Green Assets. These assets and projects will need to be approved by the management board (part of the Sustainability Committee), while the Sustainability Director holds a veto right. The Sustainability Committee will keep

a register of all Green Assets, and to ensure traceability, all decisions made by the Sustainability Committee will be documented and filed accordingly. The Sustainability Committee meets at least on a quarterly basis and additionally every time when a Sustainability Committee's decision is needed.

To mitigate potential adverse environmental impacts Korkia has set up an environmental and social risk management process to ensure that Green Eligible Assets do not cause significant harm and adhere to the minimum social safeguards as defined by the EU Taxonomy. For each Green Asset Category, the DNSH criteria of the EU taxonomy for the corresponding economic activity will be assessed.

Korkia will incorporate the following procedures in its investment process to address the Eligibility Criteria, DNSH and minimum social safeguards through the following procedures:

1. Investment rules: This process includes a hard set of rules that inform the initial project and asset evaluation. The hard set of rules are set by Korkia's sustainability policy which addresses the general criteria of the DNSH and minimum social safeguards.
2. Portfolio Allocation Guidance: This process provides a high-level risk management procedure by evaluating potential projects and assets by degree of risk. They are evaluated based on the Fragile State and Corruption Index and whether potential sites are in the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas.

3. Market Selection:

- a. Phase A: Traditional financial evaluation and due diligence
- b. Phase B: After projects and assets have been filtered from previous steps, the Sustainability Committee will perform a review of the following:
 - i. Eligibility Criteria Review
 - ii. DNSH review
 - iii. Minimum social safeguards: check whether potential partners have refused to engage with National Contact Point, have been found non-compliant with OECD Guidelines, have been convicted of corruption/bribery or tax fraud/evasion, or whether the Business and Human Rights Centre (BHRC) has taken up an allegation against the partner
4. Transaction opportunity: The project is presented to the Sustainability Committee for final approval.

Upon approval, the selected JV partner with Korkia on a standard agreement package and start evaluating the projects according to local country planning and permitting processes. Korkia will ensure that the following is incorporated into the environmental impact assessment to align with DNSH criteria:

- Climate risk assessment and mitigation measures
- Water quality and/or consumption risks and water use/conservation management plans

- Biodiversity risk assessment, including mitigation measure for sensitive areas

Furthermore, Korkia is working on establishing the necessary human rights, bribery corruption, taxation, and fair competition due diligence processes.

2.3 Management of Proceeds

Korkia intends for the value of Green Assets to exceed the total amount of Green Finance Instruments outstanding. The Sustainability Committee is responsible to tracking the net proceeds and their allocation under this Framework. The net proceeds will be deposited in a general account and will be earmarked for allocation to Eligible Green Assets as approved by the Committee.

Although Korkia will allocate proceeds to Green Assets with limited or no delay, Korkia intends to the best of its abilities, to fully allocate the proceeds within 36 months after the issuance of each Green Finance Instrument. Until disbursement to Eligible Green Assets, the proceeds will be placed in the liquidity reserves and managed accordingly. Investment in sustainable securities will be preferred where feasible. Proceeds cannot be used temporarily to finance any activity as defined by the exclusion criteria under "use of proceeds".

2.4 Reporting

In line with the Green Bond Principles, Korkia will provide an annual report that includes a list of the Green Assets to which Green Finance proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impacts. The Green Finance Report will include an Allocation Report and an Impact Report and will be published annually as long as there are Green Finance Instruments

outstanding. The report will be published on Korkia's website annually.

2.4.1 Allocation Report

The allocation report will include for instance the following information:

- Total amount of Green Finance Instruments issued, divided by instrument
- Amounts invested in each of the Green Asset categories defined in this Green Finance Framework
- Share of proceeds used for financing/refinancing
- Case examples of Eligible Green Assets that have been funded by Green Finance Instruments, if applicable
- The amount of net proceeds awaiting allocation to Green Assets (if any)

2.4.2 Impact Report

The environmental impacts of the Green Assets financed under this Framework are disclosed annually in the impact report. In the impact report it is noteworthy that, to some extent, the reported impacts may need to be aggregated on a best intention basis, depending on data availability. The impact assessment may, where applicable, be based on the metrics listed below.

Green Bond Principles Categories	Examples of impact metrics to be reported as per ICMA Harmonized Framework for Impact Reporting of June 2022 ⁵
Renewable energy	- Annual GHG emissions reduced/avoided in

	tonnes of CO2 equivalent/a - Annual renewable energy generation/storage in MWh/GWh (electricity) and GJ/TJ (other energy) - Capacity of renewable energy plant(s) constructed or rehabilitated in MW - Estimation of lifecycle emission reduction potential for renewable energy plant(s) in active development pipeline
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2.5 External review

Korkia has obtained a Second Party Opinion from Shades of Green, S&P Global to confirm the transparency of this Green Finance Framework and its alignment with the ICMA Green Bond Principles published in 2022 and the LMA/LSTA/APLMA Green Loan Principles published in 2021. The Second Party Opinion will be made available on our website. Korkia also intends to commission a compliance review and annually thereafter until full allocation of any Green Finance Instrument, with the intention of confirming that proceeds have been allocated in accordance with the Use of Proceeds specified in this Framework.

⁵<https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised->

[Framework-for-Impact-Reporting-Green-Bonds June-2022-280622.pdf](https://www.korkia.fi/~/media/2022/06/Framework-for-Impact-Reporting-Green-Bonds-June-2022-280622.pdf)