

# Green Financing Framework





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# 1. Executive summary

Klappir is an Icelandic sustainability software company that has developed a unique digital platform for sustainability which supports improved sustainability performances of businesses, municipalities and societies as whole.

The company's mission is to bring clarity to the world of sustainability through the ongoing development of its digital sustainability platform. Klappir aims to make its digital- platform and ecosystem for sustainability, the leading instrument to help companies, municipalities, governments and societies to understand, monitor and improve their sustainability performances, including the reduction of their greenhouse gas (GHG) emissions.

Klappir offers its customers the critical ability to continuously follow and improve their sustainability performance including measuring their GHG emissions in a reliable and cost-efficient way. Together with its customers, Klappir is building solid, transparent and reliable digital infrastructures, striving to have a greater positive impact for a more sustainable world.

Klappir has a leading position in its domestic market in Iceland as well as in the global maritime market and is now accelerating its growth into the Nordic region. The company's most significant impact on society comes from its products and services as well as the methodology provided by its digital platform and ecosystem for sustainability.

**This Green Financing Framework is based on existing international standards:**

- **The Green Bond Principles as published by the International Capital Market Association (ICMA) in June 2021**
- **The Green Loan Principles published by the Loan Market Association (LMA) in May 2020**

Since the activities of the company have been classified by ISS as green, all proceeds from Green Instruments will be used to finance Klappir's digital platform and ecosystem for sustainability. As such, operations can be defined as projects, investments and expenditures under this Framework which support society's transition toward sustainability.

A Green Financing Committee is in place at Klappir, where senior representatives from the company take part, tasked with ensuring that 90% of the company's revenues continue to be eligible for the pure play option.

Klappir has worked with global sustainability advisor Ernst & Young (EY) to develop the Green Financing Framework and ISS-ESG has provided a second party opinion (SPO) to the Framework. An independent assurance provider will provide limited assurance on the annual report for the purposes of this Framework.

This Green Financing Framework is an important part of Klappir's sustainability strategy moving forward. This applies both to Klappir's internal operations, owners and the sustainable business environment and community that Klappir influences through its products and services.

Klappir is listed on the Nasdaq First North and was one of the first Icelandic companies to enter that market.







**Linda Björk Ólafsdóttir**

Chairman of the board

Increased environmental awareness is a social and economic imperative. Companies will need – and want – to respond to existing environmental rules and regulations, anticipate the legislative agenda and be prepared to comply, quickly and efficiently. They – and we – have a social compact to make the world more liveable. Therefore, in the years to come there will be a growing demand for efficient software solutions to increase decision speed and accuracy related to environmental accounting, analytical processing, environmental predictions and goal setting.



**Jón Ágúst Þorsteinsson**

CEO

Klappir is a successful and innovative company that brings stability and persistence, required when developing new technology for an emerging and demanding market.

Klappir will deliver cost-efficient and innovative digital sustainability solutions globally, building on our solid and dynamic base. Our Icelandic roots will grow, to help mitigate the world's #1 challenge and make it more liveable.

We are proud of our leadership in providing sustainability solutions to the market. Users of our platform solutions are more than 4,000 today and are progressively growing.



**Ólöf Ásta Ólafsdóttir**

CFO

Looking to the future, our Sustainability Platform will continue to grow beyond Iceland as the world's most reliable and trusted platform of its kind. At the same time we will grow our Sustainability Ecosystem globally, country by country.

This Green Financing Framework is an important funding milestone for Klappir, as the company looks to secure green capital from investors and financiers to fund its growth strategy. We are excited to embark on this journey of green financing and hopefully pave way for other SMEs in the green tech sector to follow suit.

## 2. Klappir and Sustainability

Since 2015, Klappir's "Digital Platform for Sustainability" has provided a flexible, scalable and secure sustainability infrastructure to businesses and municipalities of all sizes. Through Klappir's Platform technology, customers can deploy solutions in a cloud computing environment that provides compute power, storage, and other application services over the internet as their business needs require.

Klappir's Digital Platform for Sustainability offers businesses and municipalities the flexibility to collect data on sustainability and generate various standardized types of sustainability statements of their choice. The Platform provides a wide range of services, and features - from infrastructure technologies like compute, storage, and databases - to asset management, data management, dashboard, overview over data transactions, analytics, and Internet of Things. Working in the cloud makes it faster, easier, and more cost effective to support customers and society towards improved sustainability.

Klappir's Digital Platform for Sustainability offers a robust methodology for sustainability management, monitoring, standardised accounting, transparency and compliance towards public authorities and global standards, guidance and regulations. It monitors and analyses processes and communicates information on sustainability accounting accurately and efficiently to all relevant stakeholders.

All users of the Platform are interconnected to a single "Digital Ecosystem for Sustainability". This enables seamless communication between all users of the Klappir Platform, enabling them to share data between each other. The data for sharing can be in terms of full scale ESG data or limited to part of the data set. Each user can connect to as many other users as needed to collect needed data, generate sustainability statements and disclose performance.

**Klappir's mission to bring clarity to the world of sustainability has resulted in proven success:**

- **21% average decrease in customer scope 1 and 2 greenhouse gas (GHG) emissions per unit revenue since 2018**
- **90% of vessels sailing into Icelandic waters share all environmental data through the Klappir ecosystem**
- **300% increase in forest carbon offsets among customers since 2018**

#### **Methodology of performance calculation:**

1. *Calculation of Klappir's customer performance in regards to the reduction of GHG is based on their disclosed "Sustainability Statement". Only customers who disclose a Statement with verified data collection by Klappir are included as the Statement is generated from the Klappir software.*
2. *Vessels sailing into Icelandic waters use the "National Single Window" - in Iceland it is called Safe Seanet. All ships sailing into Icelandic waters insert MARPOL Annex I-VI data into SafeSeanet. The Klappir software collects data directly from SafeSeanet and processes the data to control for correctness, order ship service and disclose the information to the Environmental Agency of Iceland. When delivering Klappir's software to other ports outside of Iceland, Klappir will connect to other "National Single Windows" and carry out the same analytics as in Iceland. The Klappir system counts the number of ships using the "National Single Window" and compares it to the number of ships that Klappir analyses.*
3. *When customers of Klappir make their "Sustainability Statement" in the Klappir software, the GHG emission number is recognized by the Klappir software. Before disclosing their Statement, Klappir offers them to offset their emissions through the software. Klappir keeps track of the customers offset in the software.*

Klappir's commitment to customer demand when entering the green transition has successfully increased the user base by 13% in the first half of 2021 and the company is on the fast track to becoming a leading Nordic environmental software provider.

Klappir's vision is to lead the world in coordinated data-driven sustainability efforts. To achieve this, the company plans to continue to invest in innovation and technology to create the best sustainability platform available in the market and to help customers, businesses and societies to connect in a single platform, resulting in reduced overall GHG emissions for the whole planet.

Klappir intends to invest in broad collaboration between connecting parties in the ecosystem and strengthen Klappir's awareness to continue to expand the user base to scale up its contribution to global sustainability and to further bolster the company's support to the UN Sustainable Development Goals.

## 2.1 Klappir and the UN Sustainable Development Goals (SDGs)

Climate change is one of the greatest threats facing the planet and it poses major environmental, economic and societal risks worldwide. The necessary reduction of GHG emissions will require significant changes to global consumption, transport and energy production. Klappir is committed to support the Paris Agreement, Iceland's climate goals and the UN SDGs as evidenced by the following.

Our innovative digital platform and ecosystem, our services and our unique methodology - together helps organisations to minimise their negative impact on nature. Our Digital Platform for Sustainability is used by over 5,000 users and is reliable, transparent and designed for industrial purposes. We have been awarded product development grants from the Icelandic Technology Development Fund, NORA and EU Horizon 2020.

The SDG include  
17 main goals,  
169 targets and 231  
unique indicators linked  
to the Goals.

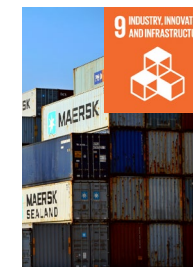
Klappir's ambition is to  
give particular focus on  
the following goals:



**SDG 4: "Quality Education"** Provide education and share experience to academia and the education system about sustainability. As an example, Klappir works with all primary schools in Reykjavik on sustainability education through its software. Klappir also conducts courses and provides lectures on sustainability. Klappir works closely with three leading universities in Iceland on sustainability education.



**SDG 9: "Industry, Innovation and Infrastructure"** Klappir has invested considerably in digital infrastructure "Digital Ecosystem for Sustainability" which is one of the most innovative software's to push for sustainability improvements by companies. Klappir is becoming a trusted and innovative partner for sustainability action.



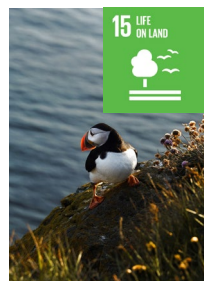
**SDG 13: "Climate Action"** Klappir's primary focus over the years has been on climate and GHG reduction. Its software collects data from society on performance by streaming the information, which is then disclosed with solid and transparent data on performance. Our Digital Platform for Sustainability is designed to enable organisations to get transparent and reliable data regarding their sustainability performance, including direct and indirect (scopes 1-3) carbon emissions. The Platform also enables users to analyse their sustainability performance, share complete sustainability information with their stakeholders and set targets for improvements.



**SDG 14: “Life below Water”** Empowers the maritime industry to combat climate change and its impacts with Digital Logbooks and Port software for MARPOL Annex I-VI (called Smart Shipping). Our “SmarterShipping” extension to the Platform is a solution for all ships to record environmental data on ships according to IMO MARPOL Annex I-VI. The extension “SmarterPorts” is an extension to collect environmental data from ships arriving at ports.



**SDG 15: “Life on Land”** It is important to connect GHG accounting and offsetting as one task and Klappir’s Platform offers this, leading to a direct increase in offsetting projects funded by companies. Our goal is to extend our software to collect more accurate and transparent data on agriculture and offsetting. We work with Icelandic partners that offer carbon offsetting, to enlarge their customer network through our Platform. This new extension to the Platform is called “Smarter Offset,” where customers can offset themselves directly through our Platform. Projects included in the “Smarter Offset” are related to forestry and wetlands with other offsetting options to emerge as carbon markets continue to evolve.



**SDG 16: “Peace, Justice and Strong Institutions”** The Klappir Platform facilitates work for institutions such as the Environmental Agency and Tax Office. These institutions can get access to digital data from Klappir’s customers for control and supervision. Via the Klappir Platform, all users have access to the same framework and ability to disclose their sustainability performance and information. We cooperate with the Environmental Agency of Iceland, the Icelandic Transport Authorities and the Coast Guard of Iceland in regards to providing access to digital data from Klappir’s customers for control and supervision. With the consent of ship owners, we share processed information through the Klappir ecosystem. This increases the quality of information, coverage and transparency.



**SDG 17: “Partnerships for the Goals”** This is the core of everything Klappir does as our sustainability solutions are structured around SDG number 17. Our digital ecosystem for sustainability is built to enable organisations, businesses and individuals to work together in terms of improving their sustainability performance. By connecting in the ecosystem, customers can work together towards their goals for improved sustainability performance. One customer can communicate with all his suppliers and service providers through the Platform and ecosystem and push / support them to do better in terms of their sustainability performance. We are proud of connecting people, their businesses, municipalities and authorities into a single force. Working together they will build a greener future for all of us.





### 3. Green Financing Framework

The transition towards sustainability, a low carbon, resilient and environmentally friendly economy with reduced negative impacts on people and society, requires vast amounts of capital. By establishing this Green Financing Framework, Klappir aims to use the proceeds to help more customers to manage their sustainability efforts by facilitating their access to accurate, real-time sustainability data via Klappir's digital platform and ecosystem for sustainability.

Under this Framework, Klappir will use funding options from public and private, listed and non-listed instruments, referred to as "Green Instruments." Due to the nature of Klappir's activities which fall under the EU Taxonomy as green activities (Activity 8.2 Data-driven solutions for GHG emissions reductions), the company considers itself to be a pure-play green company, under which the company intends to raise funds in financial markets.

**This Framework is based on robust international principles, guidelines, and protocols. Furthermore, it is based on best practices in Europe and benchmarked with similar frameworks issued by companies that are leading in sustainability:**

- **The Green Bond Principles as published by the International Capital Market Association (ICMA) in June 2021**



- **The Green Loan Principles published by the Loan Market Association (LMA) in May 2020**

The Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond and Green Loan market by clarifying the approach for Green Financing. In addition to the ICMA Green Bond Principles and the LMA Green Loan Principles, Klappir will monitor developments surrounding the EU Green Bond Standard (EU GBS), EU Taxonomy and other relevant guidelines and trends. This Green Financing Framework may, therefore, be further updated or expanded to reflect this.

### 3.1 Funding

Under this Green Financing Framework, Klappir intends to utilise funding options from public and private, listed and non-listed instruments, e.g. and not exhaustive, green bonds, green loans, green project finance, equity and any other financial instrument to which eligible assets or projects are allocated, all referred to as “Green Instruments”. Any documentation for a Green Instrument shall refer to this Green Financing Framework.

### 3.2 Use of Proceeds

The net proceeds of our Green Financing instruments will be used to finance in whole or in part any Eligible Green Projects as defined below. In limited cases, proceeds may be used for refinancing purposes, but this is expected to be minimal. Disbursements to be financed include operating expenditures (Opex), capital expenditures (Capex), expenditures related to research and development (R&D) as well as expenditures for acquisitions of eligible projects or assets.

Eligible Green Projects include projects or assets in the following eligible categories:

- R&D and innovation to further develop the digital platform and ecosystem for sustainability. This includes projects, investments and expenditures under this Framework which support strengthening and expanding Klappir’s digital platform and ecosystem for sustainability. The aforementioned contribute to more than 90% of Klappir’s revenues.
- Typical exclusion filters include, but are not limited to material controversies, major concerns about impact on the environment or society, such as any fossil fuel or nuclear energy related initiatives.

In addition, specific selection criteria have been defined for prioritizing projects. It will be examined whether the projects contribute to the following criteria which are based on either Klappir’s non-financial key performance indicators (KPIs) and targets and relevant UN Sustainable Development Goals (SDGs) as outlined in previous section:

Non-financial KPIs and targets of Klappir :

- Significant effect on decrease in customers’ scope 1 and 2 greenhouse gas (GHG) emissions per unit revenue
- Encourages significant increase in carbon offsets among Klappir’s customers
- Considerable impact on reducing customers’ scope 3 GHG emissions per unit revenue.



### 3.3 Process of evaluation and selection

Klappir's operations in relation to its digital platform and ecosystem for sustainability are overseen and managed by internal departments. In order to ensure a diligent project evaluation and selection process, we have set up a Green Financing Committee (the "Committee") with representatives, consisting of among others, representatives from Executive Management, Finance and the Technical and Business departments.

The Committee and Klappir Executive Management meet quarterly to review its strategic roadmap, re-evaluate project priorities and evaluate and select new investment projects that qualify as Eligible Green Projects.

The Committee will ensure that the company complies with local laws and regulations, including any applicable regulatory environmental and social requirements. If required, the Committee will seek the assistance of external advisors in the area of green finance.

Projects to be allocated with proceeds from Green Financing can be submitted by the business units or be chosen by the Green Financing Committee directly. The final decision on the selection of Eligible Green Projects can only be taken unanimously. The Committee is responsible for verifying compliance of all projects with the eligibility criteria. Typical exclusion filters include but are not limited to material controversies, major concerns about impact on the environment or society.

### 3.4 Management of Proceeds

The net proceeds will be managed by Klappir's Finance team, which will use them for the company's digital platform and ecosystem for sustainability as specified in the Use of Proceeds section. As long as Green Instruments are outstanding, an amount equivalent to the proceeds of them will be allocated to the digital platform and ecosystem for sustainability as described in this Framework on at least an annual basis.

On at least an annual basis, the Klappir Finance team will verify whether the digital platform and ecosystem for sustainability still meet the eligibility criteria. Pending the allocations to the digital platform, the net proceeds will be placed in the general funding accounts, and held as temporary cash or cash-like instruments within 24 months (full allocation period after issuance), and earmarked for allocation only.

Klappir has in place a register and has put internal systems in place to track outstanding proceeds of Green Financing Instruments internally, allowing for monitoring of allocated and to be allocated amounts. Prior to issuance of each Green Financing Instrument, the company will disclose which projects are to be refinanced, and to what extent proceeds are to finance future investments. Klappir intends to fully allocate the proceeds within 24 months after the issuance date of each Green Financing Instrument.

Until full allocation, the Green Financing Committee will annually approve the amount of net proceeds that has been allocated to Eligible Green Projects.

Net proceeds of Green Financing instruments will be allocated in different ways:

- Refinancing of projects that qualify as Eligible Green Projects, defined as the company's digital platform and ecosystem for sustainability
- Investments into projects under development that qualify as Eligible Green Projects that fall under the digital platform and ecosystem for sustainability
- Unallocated proceeds: Investments in any form of cash, bank deposit or other form of available current financial assets.

### 3.5 Reporting

Allocation of Proceeds Reporting, on at least an annual basis, and if necessary thereafter in case of material developments, Klappir will prepare a report and publish it to update the investors and lenders on the allocation of proceeds of issued Green Financing Instruments to the company's digital platform and ecosystem for sustainability. The allocation report provides information about:

- The total outstanding (in ISK) of Green Instruments issued under the Framework
- The allocation of the proceeds of issued Green Instruments to the digital platform and ecosystem for sustainability (e.g. green turnover and investments)
- The amount of unallocated proceeds, if any
- Percentage of new financing and refinancing.

Impact Reporting, on an annual basis, Klappir will report on its sustainability initiatives and performance and impact of its operations via its Annual and Sustainability Report.

Amongst other information, the Report will provide information regarding the impact of customers using the software (subject to availability of data):

- Related GHG emissions avoidance, for scopes 1, 2 and 3 (in tCO<sub>2</sub>e)
- Energy savings from efficiency projects (in kWh)
- Water savings (L)
- Quantity of recycled material (in metric tonnes per year)
- CO<sub>2</sub> offsetting and type of offsetting (in tCO<sub>2</sub>e)
- Relationship with relevant UN SDGs.

### 3.6 External review–

#### Second party opinion and assurance

To increase transparency, Klappir has obtained a Second Party Opinion (also known as pre-issuance verification) and is committed to obtaining post-issuance limited assurance on its Allocation of Proceeds Reporting.

**For the Second Party Opinion**, Klappir has appointed ISS-ESG to review the Green Financing Framework and assess the alignment with the Green Bond Principles and Green Loan Principles. In its Second Party Opinion, ISS-ESG rated the framework as Pure-Play and confirmed the alignment with the Green Bond Principles. The Second Party Opinion is available on the investor relations section of the Klappir website.

Post-issuance assurance, On at least an annual basis until full allocation of the proceeds of issued Green instruments, an external party shall provide limited assurance of the Allocation of Proceeds Reporting when net proceeds from issued

Green instruments have been allocated towards Klappir's digital platform and ecosystem for sustainability.

The limited assurance report shall be made publicly available on Klappir's website for all public Green Bond transactions.

### 3.7 Supporting documents

These policies will be publicly available at Klappir's website: klappir.com along with the Green Financing Framework, the second party opinion and other relevant documents.

#### Company policies

- Company Strategy
- Sustainability Policy
- Employee Policy
- Safety Policy
- (possible additional policies)



## 4. Disclaimer

The information contained in The Green Financing Framework (the “**document**”) has been prepared by Klappir and is intended to provide, non-exhaustive, general information. The document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Klappir and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Klappir as to the fairness, accuracy, reasonableness or completeness of such information. This document may contain forward-looking statements. Such statements reflect the current views of management regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Klappir is providing the information in this document as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release in light of new information, future events or otherwise. The document is provided for information purposes only and may subsequently be amended, superseded or replaced. The document is not intended to be and should not be construed as providing legal or financial advice by Klappir. It does not constitute an offer or invitation to sell or any solicitation of any offer to subscribe for or purchase or a recommendation regarding any securities. Nothing contained herein shall form the basis of any contract or commitment whatsoever and this document has not been submitted to or approved by any regulatory authority.

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