Eligibility and reporting criteria to financial intermediaries for financing of projects and investments in NIB's member countries through a NIB loan programme

The objective of this document is to describe the eligibility criteria for allocating NIB funding to projects and investments in NIB's member countries through a financial intermediary (FI). Section 1 presents the general requirements for eligible projects and investments. All projects and investments financed by an FI through an NIB loan programme shall also fulfil NIB's mission through at least one of its mandates, i.e. improve productivity and/or benefit the environment. Criteria for the selection of projects and investments fulfilling these mandates are given in Section 2. Section 3 explains the requirements for the performance of a sustainability review according to NIB's Sustainability Policy and Guidelines and Section 4 defines the reporting requirements for a loan programme.

1. General requirements

Table 1 lists the general requirements that projects and investments financed by an FI through an NIB loan programme shall fulfil. These requirements ensure that projects and investments are new and that NIB's financing is complementary to other sources of funding. Further, all projects and investments financed by an FI through NIB funding must fulfil the environmental and social requirements of NIB's Sustainability Policy and Guidelines and hence undergo a sustainability review, as explained in Section 3.

Table 1. General requirements for projects and investments

1	Only projects and investments in NIB member countries are eligible for financing under the loan programme. The member countries are Sweden, Norway, Denmark, Finland, Iceland, Estonia, Latvia and Lithuania.
2	NIB's loan to a financial intermediary for the financing of a loan programme shall never exceed 50% of the total cost of projects and investments included in the loan programme.
3	Projects and investments shall be new, i.e. commissioned / taken into full operation no longer than one year before the date when being allocated to the loan programme.
4	All projects and investments shall comply with the environmental and social requirements defined in NIB's Sustainability Policy and Guidelines.

1. Selection of eligible projects and investments

NIB's vision is a prosperous and sustainable Nordic-Baltic region. The Bank seeks to achieve this goal by financing projects that improve productivity and benefit the environment of the Nordic and Baltic countries. Therefore, all projects and investments financed by an FI through an NIB loan programme shall fulfil at least one of NIB's mandates. Sections 2.1 and 2.2 describe the eligibility criteria for projects and investments funded through NIB's loan programme. Each allocation within the loan programme shall meet at least one of these criteria, which build on NIB's Mandate Rating Framework. NIB uses the Mandate Rating Framework to assess whether the projects and investments considered for financing support the vision of the Bank. The framework is available for download at:

www.nib.int

2.1 Eligibility criteria for loan allocations supporting SMEs and small mid-caps

Each loan from the NIB loan programme aimed to support smaller companies in NIB's member countries should be allocated to small and medium sized enterprises (SMEs) or small mid-caps. SME is a private company with a number of employees below 250 with annual turnover not exceeding EUR 50 and/or annual balance sheet total not exceeding EUR 43 million. A small mid-cap is a private company that is not an SME and has annual turnover not exceeding EUR 150 million. Loans from NIB can be used to finance working capital with tenors of at least one year, and investments in tangible capital and R&D. Table 2 describes these eligibility criteria in more detail and provides with a categorization of companies and investment types for reporting purposes.

Table 2. Company size and investment type categories[1]

Categorization of eligible companies for reporting purposes				
Code	**Company size category**	**Staff headcount**	**Turnover €m**	**or Balance sheet total €m**
S1	**SME**	**< 250**	**≤ 50**	**≤ 43**
(a)	Medium-sized	50 < 250	10 ≤ 50	10 ≤ 43
(b)	Small	10 < 50	2 ≤ 10	2 ≤ 10
(c)	Micro	< 10	≤ 2	≤ 2
S2	**Small mid-cap**	**N.A**	**<150**	**N.A**
Code	**Categorization of investments**			
C1	Investment in tangible capital (e.g. new machinery, equipment and service units)			
C2	Investments in research and development			
C3	Investment in working capital (e.g. tenor of at least one year)			

2.2 Eligibility criteria for environmental projects and investments

Eligible environmental projects and investments can be implemented by any FI's loan counterparty type (e.g. SMEs, larger corporates, housing companies, municipal sector, private persons etc.). In general, projects or investments financed by an FI will contribute to NIB's environmental mission, if they directly or indirectly reduce:

1) Emissions of greenhouse gases and potentially other local air pollutants,

[1] As for reporting requirements in terms of company size, according to Section 2 reporting of loan allocations to companies in line with general categorization S1 and S2 is mandatory. Reporting of loan allocations in sub-categories S1(a)-S1(c) is encouraged on a voluntary basis.

2) Discharges of pollutants into water courses,
3) Generation of waste through development of more circular economy, or
4) Lock-in of fossil fuel use.[1]

Projects and investments in the above categories (1-4) assessed to fulfil NIB's environmental mandate within the FI loan programme are presented in Table 3 below. In case the FI intends to finance a project or investment not listed in Table 3 but likely to fit the categories (1-4), the FI is encouraged to seek approval for this allocation from NIB. The codes in the first column of Table 3 (E1 - E16) shall be used for reporting on the loan programme as indicated in Section 4.

Table 3. Eligible environmental projects and investments[2]

Code	Projects and investments reducing greenhouse gas emissions
Renewable energy	
E1	Investments in renewable energy generation including: • Hydropower up to 10MV • Wind turbines • Photovoltaics • Ocean energy technologies (wave/tidal installations) • Solar thermal • Geothermal • Waste based bioenergy, such as biofuels and biogas.
Energy transmission, distribution, and storage	
E2	Investments in transmission and distribution networks.
E3	Investments in district heating and cooling networks.
E4	Investments in energy storage to balance fluctuating generation and demand patterns (projects such as batteries, heat or cool storage or accumulator).
E5	Investments increasing the energy efficiency of district heating and cooling (projects such as utilisations of heat or cool using waste heat, installations, and operations of electric heat pumps).
Electrified transportation infrastructure and vehicles	
E6	Investments in fully electrified transportation infrastructure and vehicles or vessels.
E7	Investments in electrical charging infrastructure.
E8	Investments providing "Electric mobility as a service" -solutions such as vehicle pools and sharing systems.
Energy efficient buildings	
E9	The construction of new buildings that are certified with an EPC class of A or above, when applicable.[3]
E10	The refurbishment of existing buildings involving measures to improve the energy efficiency. Building's EPC class should be expected to improve by at least by one notch and have at least an EPC class of D after the refurbishment.
Biodiversity and nature protection	

E11	Investments in projects that protect nature and reverse the degradation of ecosystems and restoration of wetlands.
Energy efficiency in industry	
E12	Investments in industrial production and manufacturing facilities that reduces the absolute use of energy.
Projects and investments reducing water pollutant discharges and waste generation	
E13	Investments in stormwater or wastewater collection and treatment systems.
E14	Investments in waste collection, recycling, treatment, and infrastructure supporting pollution prevention and reduction of non-hazardous waste.
Cleantech projects and investments	
E15	Investments in cleantech R&D that develop equipment or components to projects listed under “Renewable energy” or “Projects reducing water pollutant discharges and waste generation".
E16	Investments in substantial cleantech manufacturing that produce crucial equipment or components to projects listed under “Renewable energy” or “Projects reducing water pollutant discharges and waste generation".

[1] Lock-in of fossil fuel use means that the current set of technologies and procedures limits progress and development towards low-carbon alternatives.

[2] In case the FI is supporting also other environmental projects and investments, other categories of environmental projects and investments can be discussed with NIB on case-to-case basis, and the list might get extended.

[3] National databases for the energy performance class certificates:

- Denmark: https://boligejer.dk/
- Estonia: Not applicable
- Finland: https://www.energiatodistusrekisteri.fi
- Iceland: Not applicable
- Latvia: https://bis.gov.lv/bisp/lv/epc_documents
- Lithuania: https://www.registrucentras.lt/energinis_efektyvumas/
- Norway: https://www.enova.no/energimerking/
- Sweden: https://www.boverket.se/sv/energideklaration/sok-energideklaration/

3. Sustainability review

All projects and investments financed through an FI with NIB funding must fulfil the environmental and social requirements of NIB’s Sustainability Policy. The Policy (including NIB’s exclusion list) is available for download at:

www.nib.int/files/1ef9e6f3646b3055269c3b385ee8c73f76597207/nib-sustainability-policy.pdf

A sustainability review is necessary for all projects and investments. The review is undertaken to identify sustainability and credit risks[2] and to ensure that projects and

[2] Examples:

a) A borrower forced to pay high environmental pollution charges or fines may encounter difficulties in fulfilling its payment liabilities.

investments considered for financing comply with internationally and nationally recognised environmental and social standards. In its loan programmes, NIB delegates the responsibility for the sustainability review to the FI to the extent possible, depending on the intermediary's capability and resources to perform such reviews. The FI should preferably have a management system in place capable of reviewing and managing the environmental and social aspects related to its on-lending of NIB funds. NIB analyses the capacity of the intermediary to manage this review as part of the due diligence process.

The sustainability assessment of any category A project is always carried out by NIB. The assessment of category B projects can be delegated to the FI, depending on its capacity. The assessment of category C projects is always delegated to the FI. For category C projects, the minimum requirement for the assessment is to check that the required permits are in place. The FI's responsibility for the sustainability review is defined in the loan agreement.

The basis for the categorisation is the European Union (EU) Environmental Impact Assessment (EIA) Directive with annexes (Annex I and II: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32011L0092#). Description of the categories:

- **Category A Projects:** Projects with likely significant adverse environmental and social impacts that are diverse, irreversible, or unprecedented, Annex I in the EU EIA Directive. Will require a full EIA process.
- **Category B Projects:** Projects with likely limited environmental and social impacts, generally site-specific, largely reversible, and readily addressed through mitigation measures, Annex II in the EU EIA Directive. Will require a focused environmental assessment.
- **Category C Projects:** Projects with likely minimal or no negative environmental and social impact. No formal requirement for an environmental assessment.

4. Reporting and follow-up

When taking a loan from NIB, the FI commits to report on the use of funds within the loan programme to NIB on a yearly basis. The reporting template in Table 4a illustrates the general reporting requirements and structure of the report.

For environmental allocations, the report shall provide the aggregated loan amount per each environmental project category (E1-E16) and the split of this aggregated loan amount per different counterparty type - S1 (SMEs), S2 (small mid-caps) and other borrowers (larger corporates, housing companies, municipal sector, private persons etc.).

For allocations to SMEs and small mid-caps that are not environmental projects, the report shall provide the aggregated loan amount per each investment category (C1-C3) and the split of this aggregated loan amount per different company size - S1 (SMEs) and S2 (small mid-caps). In addition, reporting of the sectoral distribution is required, either on the basis of the allocations (table 4b) or by providing the sectoral distribution of the outstanding loans at the bank level.

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b) An enterprise of a borrower may be closed down or have its operations restricted by the environmental or health authorities, if compliance with applicable legislation has not been met.
c) Contamination may affect the value of real property which has been pledged.

The minimum reporting requirement for company size codes is the general level S1-S2. Reporting of loan allocations according to the sub-categories S1a-S1c is nevertheless encouraged on a voluntary basis. If the FI finances a small mid-cap within the NIB loan programme, the reporting for this allocation shall also include a project description. This comprises the NACE code[3] for the company's economic activity or a similar sector code and a brief description of financed investments.

Further, the trend of impact reporting is raising in the financial sector and NIB reports on its positive environmental impacts annually. Therefore, the FI is encouraged to provide information on the estimated positive environmental impacts (e.g., energy savings, added renewable energy capacity and generation, reduced greenhouse gas emissions, reduced other emissions or waste) achieved through funding disbursed within the NIB loan programme on a voluntary basis (Impact reporting column).

Reports shall be submitted electronically in a format which allows for easy transfer of data (e.g., an excel sheet). It shall be cumulative until the FI has allocated the entire NIB loan amount with clear calendar year cut-offs.

Table 4a. Reporting template for allocations[4]

Project/Investment code	Average maturity	Total loan amount	Total project cost	Number of loans per size class						Comments	Impact reporting
				S1	S1(a)	S1(b)	S1(c)	S2	Other borrower type		
Year 20xx											
E1											
E2											
E3											
E4											
E5											
E6											
E7											
E8											
E9											
E10											
E11											
E12											
E13											
E14											
E15											
E16											
C1									NA		
C2									NA		
C3									NA		
Loan amounts total	NA										

	Mandatory reporting of allocations to environmental projects and investments
	Mandatory reporting of allocations to SME's and small midcap's projects and investments
	Voluntary more detailed reporting

[3] NACE refers to the Statistical Classification of Economic Activities in the European Community. The current version is revision 2: https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF
[4] In the third column, please enter the total amounts of loan allocations per investment or project type. In the fourth column, please enter the total costs of the investment or projects funded through NIB loan programme. As stipulated in Table 1, please observe that the amount of the loan granted by NIB to FI should be equal or less than 50% of the sum of column 3 and/or the sum of column 4.

Table 4b. Sector distribution

Sector	Loan amounts per size class					Number of loans
	S1	S1(a)	S1(b)	S1(c)	**S2**	
Year 20xx						
Sector xxx						
Sector xxx						
Sector xxx						
….	…	…	…			
Loan amounts total						

	Voluntary more detailed reporting