

Second-Party Opinion  
**Vellinge Kommun Green Bond Framework**



**Evaluation Summary**

Sustainalytics is of the opinion that the Vellinge Kommun Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - Renewable Energy, Energy Efficiency, Electronic Communication, Waste Management, Sustainable Transportation, Water and Wastewater Management, Stormwater Management, Climate Adaptation Measures and Green Buildings - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11 and 13.



**PROJECT EVALUATION AND SELECTION** Vellinge Municipality's finance department will be responsible for project evaluation and selection in line with the Framework's eligibility criteria, working in consultation with the implementing departments and municipal companies. The finance department will also maintain a list of eligible projects, in cooperation with Serkon AB, a financial company specializing in supporting Swedish municipalities. The finance department will also assess the environmental and social risks associated with eligible projects to ensure compliance with relevant national and European laws and regulations. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Vellinge Municipality's finance department will be responsible for the allocation of net proceeds, working in consultation with the implementing departments and municipal companies. All green bonds issued under the Framework will be managed on a portfolio basis and an amount equivalent to the net proceeds from the green bonds will be reported to the municipal board in a dedicated report on a monthly basis. Vellinge Municipality intends to allocate the proceeds within one year of issuance. Pending full allocation, unallocated proceeds will be placed on a separate account. This is in line with market practice.



**REPORTING** Vellinge Municipality commits to report on the allocation of proceeds on the Municipality's website on an annual basis until full allocation. Allocation reporting will include a list of financed projects in Vellinge, total amount of green bonds issued, share of proceeds used for new financing and refinancing, share of proceeds used per category and share of unallocated proceeds. In addition, Vellinge Municipality is committed to impact reporting on relevant metrics. Sustainalytics views Vellinge Municipality's allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	November 20, 2023
<b>Issuer Location</b>	Vellinge, Sweden

**Report Sections**

Introduction.....	2
Sustainalytics' Opinion .....	3
Appendices .....	10

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## Introduction

Vellinge is a municipality (*kommun* in Swedish) located in the south of Sweden, in Skåne County, with a population of approximately 38,000 residents. The municipal government of Vellinge (the “Vellinge Municipality” or the “Municipality”) is responsible for delivering a range of public services in Vellinge, including education and healthcare. Vellinge Municipality employs approximately 1,300 personnel working in the operation and provision of these services.

Vellinge Municipality has developed the Vellinge Kommun Green Bond Framework dated November 2023 (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects intended to deliver positive environmental impact in Vellinge and Sweden. The Framework defines eligibility criteria in nine areas:

1. Renewable Energy
2. Energy Efficiency
3. Electronic Communication
4. Waste Management
5. Sustainable Transportation
6. Water and Wastewater Management
7. Stormwater Management
8. Climate Adaptation Measures
9. Green Buildings

Vellinge Municipality engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>1</sup> The Framework will be published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Vellinge Municipality to understand the sustainability impact of its policies and processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Vellinge Municipality representatives have confirmed: i) they understand it is the sole responsibility of Vellinge Municipality to ensure that the information provided is complete, accurate and up to date; ii) that they have provided Sustainalytics with all relevant information; and iii) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Vellinge Municipality.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Vellinge Kommun Green Bond Framework will be available on Vellinge Municipality’s website at: <https://vellinge.se/kommun-och-politik/kommunfakta/ekonomi-budget-och-kommunal-skattesats/finansinformation/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon 24 (twenty-four) months following the evaluation date herein, Vellinge Municipality is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Vellinge Municipality has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Vellinge Kommun Green Bond Framework

Sustainalytics is of the opinion that the Vellinge Kommun Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories - Renewable Energy, Energy Efficiency, Electronic Communication, Waste Management, Sustainable Transportation, Water and Wastewater Management, Stormwater Management, Climate Adaptation Measures, Green Buildings - are aligned with those recognized by the GBP.
  - Vellinge Municipality has communicated to Sustainalytics that it will limit financing and refinancing to capital expenditures in accordance with Swedish legislation, and guidelines for the Swedish municipal sector.
  - Under the Renewable Energy category, Vellinge Municipality may finance or refinance the following projects:
    - Investments in solar photovoltaic technologies, including the installation of rooftop solar panels.
    - Investments in wind power generation projects.
    - Investments in geothermal projects with direct emissions below 100 gCO<sub>2</sub>/kWh.
    - Sustainalytics considers the above-mentioned expenditures to be aligned with market expectations.
  - Under the Energy Efficiency category, Vellinge Municipality may finance or refinance energy efficiency measures that would lead to energy efficiency improvements. This may include heat pumps, LED lighting and street lighting.
    - The Municipality has communicated to Sustainalytics that expenditures related to heat pumps relate to electric or absorption pumps with geothermally heated water. Sustainalytics considers expenditures under this category to be aligned with market expectations. Sustainalytics further notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends the Municipality to exclude financing of heat pumps with high-GWP refrigerants, and to ensure recovery, reclamation, recycling or destruction of refrigerants at end of life. The Municipality has communicated to Sustainalytics that it will promote robust refrigerant leak control, detection and monitoring.
    - Sustainalytics considers the above-mentioned expenditures to be aligned with market expectations.
  - Under the Electronic Communication category, Vellinge Municipality contemplates investments in the modernization of existing fibre networks for telecommunication. The network modernization projects will include upgrading Vellinge's broadband network from a copper-based network to fibre optic to increase connectivity within Vellinge and reduce the energy consumption of the existing networks.
    - Sustainalytics considers expenditures under this category to be aligned with market practice.

- Under the Waste Management category, Vellinge Municipality has communicated to Sustainalytics that it intends to finance collection bins that are used for the source segregation of household waste for recycling and reuse.
  - Sustainalytics views this expenditure to be aligned with market expectations.
- Under the Sustainable Transportation category, Vellinge Municipality may finance or refinance supportive infrastructure for public transportation, including pedestrian and bicycle paths, cycling infrastructure and charging infrastructure for electric vehicles. The Municipality has confirmed to Sustainalytics that parking lots will be excluded from financing.
  - Sustainalytics considers expenditures under this category to be aligned with market expectations.
- Under the Water and Wastewater Management category, the Municipality may finance or refinance projects to develop drinking water and sewerage pipeline network infrastructure.
  - Sustainalytics considers expenditures under this category to be aligned with market expectations.
- Under the Stormwater Management category, Vellinge Municipality may finance or refinance projects to develop precipitation plans to provide protection against flooding and extreme weather events.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Climate Adaptation Measures category, the Municipality envisions investments in climate adaptation projects for the protection of buildings, infrastructure and sensitive environments against flooding and high sea levels. Vellinge Municipality has communicated to Sustainalytics that such projects will be based on vulnerability assessments and associated adaptation plans.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Green Buildings category, Vellinge Municipality may finance or refinance the projects related to i) construction of new buildings; ii) retrofit of existing buildings; and iii) extensive renovations. Projects may include:
  - Construction of new buildings and retrofit of existing buildings<sup>4</sup> with energy consumption per square metre of floor area at least 25% lower than the requirements of the Swedish National Board of Housing, Building and Planning (Boverkets Byggregler),<sup>5</sup> preferably with a Miljöbyggnad Silver certification.<sup>6</sup>
  - In addition, new buildings are required to comply with the SundaHus Material Data Tool (SundaHus Miljödata)<sup>7</sup> category A or B requirements for material selection, and buildings larger than 5000 m<sup>2</sup> in floor area are required to undergo airtightness and thermal integrity tests during the construction phase, as well as a calculation of the building's life cycle global warming potential at each stage of the life cycle.
  - Extensive renovations result in at least 30% lower energy consumption per square metre of floor area.
  - Sustainalytics considers expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
  - Vellinge Municipality's finance department, in consultation with the implementing departments and municipal companies will be responsible for project evaluation and selection in line with the Framework's eligibility criteria. In addition, the Municipality will make sustainability experts available for consultation throughout the process. A list of eligible projects will be maintained by the finance department in cooperation with Serkon AB, a financial company specializing in supporting municipalities.
  - Vellinge Municipality's finance department, in consultation with the implementing departments and municipal companies will assess the environmental and social risks associated with the eligible projects to ensure compliance with relevant national and European laws and regulations.
  - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainalytics considers this process to be aligned with market practice.

<sup>4</sup> The Framework defines new buildings as those built after 31 December 2020 and existing buildings as those built prior to the same date.

<sup>5</sup> Boverket, "Boverkets byggregler", (2023), at: <https://www.boverket.se/sv/PBL-kunskapsbanken/regler-om-byggande/boverkets-byggregler/>

<sup>6</sup> Miljöbyggnad: <https://www.sgbc.se/certifiering/miljobyggnad/>

<sup>7</sup> SundaHus, "SundaHus Material Data", at: <https://www.sundahus.se/en/services/material-data/>

- Management of Proceeds:
  - The Municipality’s finance department is responsible for the allocation of the net proceeds, working in consultation with the implementing departments and municipal companies. All green bonds issued by the Municipality will be managed on a portfolio basis, and the equivalent to the net proceeds from the green bonds will be reported to the municipal board in a dedicated report in a monthly basis.
  - Vellinge Municipality intends to allocate the proceeds within one year of issuance. Pending full allocation, unallocated proceeds will be placed in cash in a separate account. The Municipality has communicated to Sustainalytics that it does not intend to use the unallocated proceeds for any temporary purposes.
  - Based on the presence of an internal tracking system, Sustainalytics considers this process to be aligned with market practice.
- Reporting:
  - Vellinge Municipality commits to report on the allocation of proceeds on its website on an annual basis until full allocation.
  - Allocation reporting will include a list of financed projects, total amount of green bonds issued, share of proceeds used for new financing and refinancing, share of proceeds used within categories described in the use of proceeds section, share of unallocated proceeds.
  - Vellinge Municipality intends to report on quantitative impact of the eligible projects where feasible. Impact reporting may include impact metrics, such as estimation of avoided carbon emissions, annual energy savings (MWh) and annual energy production (MWh).
  - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

#### Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Vellinge Kommun Green bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Vellinge

### Contribution to Vellinge Municipality’s sustainability strategy

Sustainalytics is of the opinion that the Municipality demonstrates a commitment to sustainability through the *Program för hållbar utveckling 2020–2030* (“Programme for sustainable development 2020–2030”), adopted by Vellinge Municipality in 2021. The programme focuses on the following sustainability issues, including: i) circular economy and sustainable consumption; ii) transport and mobility; iii) energy and real estate; and iv) nature, environment and climate change impacts.<sup>8</sup>

Sustainalytics highlights the following aspects of the Programme for sustainable development 2020–2030, which are aligned with the objectives of the Framework:

- Vellinge Municipality aims to support the circular economy and sustainable consumption through its procurement, and by planning for and designating places where waste can be reused and recycled. Vellinge Municipality has set the following goals for 2030: i) reduce the amount of household waste and increase the proportion of household waste that is being recycled; ii) have all operations according to sustainable procurement practices; and iii) maintain the proportion of organic products in school kitchens above at least 50%.<sup>9</sup>
- In terms of transport and mobility, Vellinge focuses on improving the infrastructure for cycling, walking and public transport in order to reduce private car journeys. Among other priorities, the Municipality aims to develop more footpaths and bicycle lanes, increase the attractiveness of public transport stations and develop more public transport modes. By 2030, Vellinge has the following goals to: i) increase the citizens’ satisfaction about the public transport possibilities from the share of 57% reporting being satisfied in 2019; ii) increase the number of public electric charging points for cars and bicycles; and iii) increase the share of people travelling by public transport, walking and cycling to 35%.<sup>10</sup>

<sup>8</sup> Vellinge Kommun, “Program för hållbar utveckling 2020–2030”, at: [https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge\\_program-for-hallbar-utveckling\\_2021\\_slutlig-version.pdf](https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge_program-for-hallbar-utveckling_2021_slutlig-version.pdf)

<sup>9</sup> Vellinge Kommun, “Program för hållbar utveckling 2020–2030”, at: [https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge\\_program-for-hallbar-utveckling\\_2021\\_slutlig-version.pdf](https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge_program-for-hallbar-utveckling_2021_slutlig-version.pdf)

<sup>10</sup> Vellinge Kommun, “Program för hållbar utveckling 2020–2030”, at: [https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge\\_program-for-hallbar-utveckling\\_2021\\_slutlig-version.pdf](https://vellinge.se/siteassets/boende-miljo-och-trafik/pdf/vellinge_program-for-hallbar-utveckling_2021_slutlig-version.pdf)

- With regard to the energy and real estate, the Municipality prioritizes sustainable building construction by including energy efficiency considerations in its activities. The Municipality engages residents and other actors in the energy transition and provides them with energy- and climate-related advice. Regarding construction and renovation, the Municipality aims to reduce GHG emissions from buildings and increase their energy efficiency through environmental certifications, as well as increase the solar PV installed capacity. By 2030, the Municipality targets to: i) reduce the amount of GHG emissions within the municipality's geographical area; ii) increase the share of renewable energy in the energy mix; iii) reduce the end use energy within the municipality; and iv) start formulating green leases for tenants.<sup>11</sup>
- Vellinge Municipality has integrated the protection of the natural environment into its development strategy by taking climate change adaptation and mitigation measures, such as creating several ponds and raingardens in the urban areas and by considering the risk of torrential rain and the stormwater impact in new construction. By 2030, the Municipality also aims to increase the conservation of threatened species and to limit the spread of micro-plastics and environmentally- and health- damaging chemicals. By 2027, Vellinge targets achieving good water quality and good ecological status for all water bodies.<sup>12</sup>

Sustainalytics is of the opinion that the Framework is aligned with the Municipality's overall sustainability strategy and initiatives and will further the Municipality's action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues related to: i) biodiversity and land use change associated with large-scale infrastructure development; ii) emissions, effluents and waste; iii) occupational health and safety (OH&S); and iv) community relations.

Sustainalytics is of the opinion that the Municipality is able to manage or mitigate potential risks through implementation of the following:

- Regarding the mitigation of issues related to biodiversity and land use change associated with large-scale infrastructure projects, Vellinge conforms with the EU legislation, including the Environmental Impact Assessment (EIA) Directive (2014/52/EU), aimed at ensuring that projects which are likely to have a significant impact on the environment are adequately assessed before approval. With regard to biodiversity protection, the Directive requires measures to be taken to "avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats". Concerning land use, the EIA Directive notes that the "EIA shall identify, describe and assess land use related impacts."<sup>13</sup>
- To manage emissions, effluents and waste, the Municipality is required to follow the applicable EU guidelines and regulations, such as the EU Construction and Demolition Waste Protocol and Guidelines,<sup>14</sup> the EU Waste Framework Directive,<sup>15</sup> the Waste Electrical and Electronic Equipment Directive<sup>16</sup> and the European Waste Shipment Regulation.<sup>17</sup> These regulations aim to ensure that waste management is carried out without endangering human health or causing harm to the environment.<sup>18</sup> Additionally, Vellinge Municipality has a set of rules and permits for handling environmentally hazardous substances and chemicals, including for contaminated soil, PCBs, sludge spreading and reusing non-hazardous waste for construction purposes.<sup>19</sup>
- Regarding the management of OH&S, Sweden has implemented the European Framework Directive on Safety and Health at Work in its national legislation.<sup>20</sup> The directive requires

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> European Parliament, "Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>.

<sup>14</sup> European Commission, "EU Construction and Demolition Waste Protocol and Guidelines", (2018), at: [https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18\\_en](https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18_en)

<sup>15</sup> European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098>

<sup>16</sup> EUR-Lex, "Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019>

<sup>17</sup> EUR-Lex, "Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006R1013>

<sup>18</sup> European Commission, "Waste Framework Directive", at: [https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive\\_en](https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en)

<sup>19</sup> Vellinge kommun, "Regler och tillstånd", at: <https://vellinge.se/foretagare/regler-och-tillstand/>

<sup>20</sup> European Commission, "Evaluation of the practical implementation of the EU occupational safety and health (OSH) directives in EU Member States", (2015), at: <https://ec.europa.eu/social/BlobServlet?docId=16895&langId=en>

- employers to take the measures necessary for the workers' safety and health protection, including prevention of occupational risks and provision of adequate information and training.<sup>21</sup>
- In terms of community relations management, the Municipality encourages its residents' involvement in proposing ideas for Vellinge Municipality's development through measures such as opportunities to get in contact with any particular politician or committee<sup>22</sup> and the presence of a municipal appeal or an administrative appeal process.<sup>23</sup> To create transparency on decision making, the Municipality provides public access to all registered cases received by the municipal administration since 2010.<sup>24</sup> Sustainalytics further notes that Vellinge is located in Sweden, which is recognized as a designated country under the Equator Principles, demonstrating robust environmental and social governance systems, legislation and institutional capacity to mitigate common environment and social risks associated with the projects financed under the Framework.<sup>25</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Vellinge has adequate policies and measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All nine use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of green buildings in Sweden

The buildings sector was responsible for 40% of total energy consumption in the EU and 36% of its GHG emissions as of 2020.<sup>26</sup> The EU has committed to reducing GHG emissions by 55% by 2030 compared to 1990.<sup>27</sup> To achieve its target, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption from heating and cooling by 18% by 2030 compared to 2015.<sup>28</sup> As approximately 85% of the EU's building stock was built before 2001, energy efficiency improvement renovations can play a significant role in decarbonizing the sector.<sup>29</sup> Renovating existing buildings could reduce the EU's total energy consumption by an estimated 5-6% and lower its total GHG emissions by 5%.<sup>30</sup>

Sweden has established a national commitment to achieve net zero GHG emissions by 2045, with interim reduction targets of 55% by 2030 and 73% by 2040, from a 1990 baseline.<sup>31</sup> The country follows the EU's EPBD with the aim of modernizing the buildings sector, encouraging the construction of energy-efficient buildings and retrofits.<sup>32</sup> To improve the energy efficiency of buildings, the government aims to increase the number of life cycle analyses for new buildings and has developed training programmes on low-energy and renewable energy for buildings, such as the Build Up Skills programme, which is aimed at educating workers in the skilled trades to undertake energy-efficient improvements in Sweden.<sup>33,34</sup>

In this context, Sustainalytics is of the opinion that the Municipality's expenditures in green buildings to contribute in reducing emissions from Sweden's buildings sector and more broadly to the country's emissions reduction targets.

<sup>21</sup> Official Journal of the European Communities, "Council Directive of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=EN>

<sup>22</sup> Vellinge Kommun, "Medborgardialog", at: <https://vellinge.se/kommun-och-politik/demokrati-och-insyn/medborgardialog/>

<sup>23</sup> Vellinge Kommun, "Påverka och överklaga", at: <https://vellinge.se/kommun-och-politik/demokrati-och-insyn/paverka-och-overklaga/>

<sup>24</sup> Vellinge Kommun, "Beslut och insyn", at: <https://vellinge.se/kommun-och-politik/demokrati-och-insyn/beslut-och-insyn/>

<sup>25</sup> Equator Principles, "Designated and Non-Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>26</sup> European Commission, "In focus: Energy efficiency in buildings", (2020), at: [https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17\\_en](https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en)

<sup>27</sup> European Commission, "Stepping Up Europe's 2030 climate ambition", (2020) at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

<sup>28</sup> European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: [https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF)

<sup>29</sup> Ibid.

<sup>30</sup> European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: <https://op.europa.eu/en/publication-detail/-/publication/97d6a4ca-5847-11ea-8b81-01aa75ed71a1/language-en/format-PDF/source-119528141>

<sup>31</sup> Swedish Ministry of Climate and Enterprise, "Sweden's climate policy framework", (2021), at: <https://www.government.se/articles/2021/03/swedens-climate-policy-framework/>

<sup>32</sup> European Parliament, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", (2018), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2018.156.01.0075.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG)

<sup>33</sup> European Parliament, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", (2018), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2018.156.01.0075.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG)

<sup>34</sup> European Commission, "Educating energy efficient craftsmen in Sweden to 2020 (BUILD UP Skills SWEBUILD)", at: <https://wayback.archive-it.org/12090/20210201145151/https://ec.europa.eu/energy/intelligent/projects/en/projects/build-skills-swebuild>

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Vellinge Kommun Green bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Electronic communication	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Waste management	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Sustainable transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Water and wastewater management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Stormwater management	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Climate adaptation measures	13. Climate action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Green buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

### Conclusion

Vellinge Municipality has developed the Vellinge Kommun Green Bond Framework under which it may issue green bonds and use the proceeds to finance projects under the Renewable Energy, Energy Efficiency, Electronic Communication, Waste Management, Sustainable Transportation, Water and Wastewater Management, Stormwater Management, Climate Adaptation Measures and Green Buildings



categories. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Vellinge Kommun Green Bond outlines processes for tracking, allocation and management of proceeds, and makes commitments for Vellinge Municipality to report on allocation and impact. Sustainalytics considers that the Vellinge Kommun Green Bond Framework is aligned with Vellinge Municipality 's overall sustainability strategy and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11 and 13. Additionally, Sustainalytics considers that Vellinge Municipality has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Vellinge Municipality is well positioned to issue green bonds and that the Vellinge Kommun Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

## Appendices

### Appendix 1: Green Bond / Green Bond Programme - External Review Form

#### Section 1. Basic Information

Issuer name:	Vellinge kommun
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Vellinge Kommun Green bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 20, 2023
Publication date of review publication:	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The review:

- assessed the 4 core components of the Principles (**complete review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*).
- assessed only some of them (**partial review**) and confirmed the alignment with the GBP/SBP/SBG (*delete where appropriate*); please indicate which ones:
  - Use of Proceeds
  - Process for Project Evaluation and Selection
  - Management of Proceeds
  - Reporting
- assessed the alignment with other regulations or standards (CBI, EU GBS, ASEAN Green Bond Standard, ISO 14030, etc.); please indicate which ones:

##### ROLE(S) OF INDEPENDENT REVIEW PROVIDER

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (please specify):

##### Does the review include a sustainability quality score?

- Of the issuer
- Of the project
- Of the Framework
- Other (please specify):
- No scoring

##### ASSESSMENT OF THE PROJECT(S)

Does the review include:

- The environmental and/or social features of the type of project(s) intended for the Use of Proceeds?
- The environmental and/or social benefits and impact targeted by the eligible Green and/or Social Project(s) financed by the Green, Social or Sustainability Bond?
- The potentially material environmental and/or social risks associated with the project(s) (where relevant)?

#### ISSUER'S OVERARCHING OBJECTIVES

##### Does the review include:

- An assessment of the issuer's overarching sustainability objectives and strategy, and the policies and/or processes towards their delivery?
- An identification and assessment of environmental, social and governance related risks of adverse impact through the Issuer's [actions] and explanations on how they are managed and mitigated by the issuer?
- A reference to the issuer's relevant regulations, standards, or frameworks for sustainability-related disclosure and reporting?

#### CLIMATE TRANSITION STRATEGY

##### Does the review assess:

- The issuer's climate transition strategy & governance?
- The alignment of both the long-term and short/medium-term targets with the relevant regional, sector, or international climate scenario?
- The credibility of the issuer's climate transition strategy to reach its targets?
- The level/type of independent governance and oversight of the issuer's climate transition strategy (e.g. by independent members of the board, dedicated board sub-committees with relevant expertise, or via the submission of an issuer's climate transition strategy to shareholders' approval).
- If appropriate, the materiality of the planned transition trajectory in the context of the issuers overall business (including the relevant historical datapoints)?
- The alignment of the issuer's proposed strategy and targets with appropriate science-based targets and transition pathways that are deemed necessary to limit climate change to targeted levels?
- The comprehensiveness of the issuer's disclosure to help investors assess its performance holistically?

**Overall comment on this section:**

### Section 3. Detailed review

#### 1. USE OF PROCEEDS

##### Does the review assess:

- the environmental/social benefits of the project(s)?
- whether those benefits are quantifiable and meaningful?
- for social projects, whether the target population is properly identified?

##### Does the review assess if the issuer provides clear information on:

- the estimated proceeds allocation per project category (in case of multiple projects)?
- the estimated share of financing vs. re-financing (and the related lookback period)?

**Overall comment on this section:**

The eligible categories for the use of proceeds Renewable Energy, Energy efficiency, Electronic communication, Waste management, Sustainable transportation, Water and wastewater management, Stormwater management, Climate adaptation measures, Green buildings are aligned with those recognized by the Green Bond Principles. Sustainability considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 9, 11 and 13.

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Does the review assess:

- whether the eligibility of the project(s) is aligned with official or market-based taxonomies or recognised international standards? Please specify which ones.
- whether the eligible projects are aligned with the overall sustainability strategy of the issuer and/or if the eligible projects are aligned with material ESG-related objectives in the issuer's industry?
- the process and governance to set the eligibility criteria including, if applicable, exclusion criteria?
- the processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s)?
- any process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s)?

### Overall comment on this section:

Vellinge's finance department in consultation with implementing departments and companies will be responsible for project evaluation and selection in line with the Framework's eligibility criteria. A list of eligible projects will be maintained by the finance department in cooperation with Serkon AB, a financial company specializing in supporting municipalities. It will also assess environmental and social (E&S) risks associated with the eligible projects and will ensure the compliance with the relevant national and European regulations and legislations. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

## 3. MANAGEMENT OF PROCEEDS

### Does the review assess:

- the issuer's policy for segregating or tracking the proceeds in an appropriate manner?
- the intended types of temporary investment instruments for unallocated proceeds?
- Whether an external auditor will verify the internal tracking of the proceeds and the allocation of the funds?

### Overall comment on this section:

Vellinge's finance department in consultation with implementing departments and companies are responsible for the allocation of the net proceeds. All green bonds issued by the Municipality will be managed on a portfolio basis, and the equivalent to the net proceeds from the green bonds will be reported to the municipal board in a dedicated report in a monthly basis. Vellinge intends to allocate the proceeds within one year of issuance. Pending full allocation, unallocated proceeds will be placed on a separate account. This is in line with market practice.

## 4. REPORTING

### Does the review assess:

- the expected type of allocation and impact reporting (bond-by-bond or on a portfolio basis)?
- the frequency and the means of disclosure?
- the disclosure of the methodology of the expected or achieved impact of the financed project(s)?

### Overall comment on this section:

Vellinge commits to report on the allocation of proceeds and the corresponding environmental impact on Vellinge's website on an annual basis until full allocation. Allocation reporting will include a list of financed projects in Vellinge Municipality, total amount of green bonds issued, share of proceeds used for new financing and refinancing, share of proceeds used within categories described in the Use of Proceeds section, share of unallocated proceeds. In addition, Vellinge is committed to impact reporting on relevant metrics. Sustainalytics views Vellinge's allocation and impact reporting as aligned with market practice.

## Section 4. Additional Information

**Useful links** (e.g. to the external review provider's methodology or credentials, to the full review, to issuer's documentation, etc.)

**Analysis of the contribution of the project(s) to the UN Sustainable Development Goals:**

**Additional assessment in relation to the issuer/bond framework/eligible project(s):**

### ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

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For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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