



Vellinge Municipality – Green Bonds Framework

6 September 2017

This is a translation of the Swedish version of Vellinge Municipality's Green Bonds Framework. In the event of any discrepancies between the English language translation of the Green Bonds Framework and the Swedish language version of the Green Bonds Framework, the Swedish language version will prevail.

INTRODUCTION

Vellinge Municipality's financial policy states that issuance of bonds should if possibly be done as Green Bonds. In addition, asset management should follow the principles for responsible investments. Vellinge Municipality intends to issue Green Bonds for investments and re-financing according to this Framework. The Framework is developed in alignment with the Green Bond Principles 2017¹. Vellinge Municipality intends to follow the development of the Green Bond market as standards develop.

SEPARATE ACCOUNT

The net proceeds from the issue of Green Bonds shall be credited to a separate account with the purpose to finance Vellinge Municipality's Green Projects (as defined below). As long as Green Bonds are outstanding and proceeds from issues are available on a separate account, Vellinge Municipality shall, at the end of every fiscal quarter, deduct funds from the separate account in an amount equal to disbursements through Green Projects made during such quarter. Until disbursement to Green Projects, the separate account balance will be placed as part of the liquidity reserve.

GREEN PROJECTS

"Green Projects" are specifically selected projects funded, in whole or in part, by Vellinge Municipality with the purpose of promoting the transition to low carbon and sustainable development.

Green Projects include projects with the purpose to:

- a) reduce greenhouse gas emissions, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy

¹: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

b) adapt operations to climate change, including investments in increased resilience.

Green Project categories are:

- **Renewable energy** (wind power, solar power, geothermal energy and bioenergy from agricultural residues, forestry residues and other biological residues).
- **Energy efficiency measures** leading to an improvement of energy efficiency of at least 20 per cent.
- **Waste Management** (recycling and re-use, rehabilitation of contaminated land).
- **Sustainable, fossil-free transport systems and transport solutions** of people and goods.
- **Water and waste water management.**
- **Stormwater management**, for example the creation of a cloudburst action plan.
- **Climate adaptation measures** in buildings, infrastructure and sensitive habitats, measures against high sea levels.
- **Green commercial and residential buildings:**
 1. New and existing properties with an energy use at least 25 per cent lower per $m^2 A_{temp}$ and year than the construction requirements of Boverket (the National Board of Housing, Building and Planning) and preferably with a certificate from Miljöbyggnad (silver or above) or Green Building according to Sweden Green Building Council (SGBC).
 2. New built commercial and residential buildings shall at a minimum adhere to the regulations of “sunda hus” (healthy house), category A,B.
 3. Major renovations leading to a reduced energy use of at least a 25 per cent per $m^2 A_{temp}$ and year.

Vellinge Municipality’s Green Bonds will not finance nuclear power or fossil fuel based projects.

Vellinge Municipality’s Green Bonds can be used to finance new projects and to refinance Green Projects in accordance with the Green Bonds Framework. The ambition is to use the majority of the proceeds to finance new projects.²

SELECTION OF GREEN PROJECTS

Green Projects will be selected in consensus by the Department of Finance and Economy and the Department of Environment in consultation with the implementing administrations and municipality-owned companies. Only projects with a high likelihood of resulting in positive, long-term net effects on the environment will be approved. If a project ceases to meet the criteria above, the project will be removed from the portfolio of Green Projects financed by Vellinge Municipality’s Green Bonds.

TRANSPARENCY

To enable investors to follow the development of the Vellinge Municipality’s Green Projects and to get insight into prioritised areas, Vellinge Municipality will provide an annual investor letter including:

- 1) a list of financed Green Projects with a brief description about the project and its expected environmental impact.
- 2) a summary of Vellinge Municipality’s Green Bond development.

² New projects are defined as projects that have been finalised within one year before the time of the approval for financing with proceeds from Vellinge Municipality’s Green Bonds.

Vellinge Municipality promotes the use of impact reporting and will provide that to the largest extent possible.

The use of the proceeds from the Green Bonds, tracking and management of the funds are reported in the annual report and presented in a special annual report. The annual report will be audited and an audit certificate will state that proceeds are invested in accordance with the Green Bonds Framework. The investor letter will be made publically available on Vellinge Municipality’s web site. Furthermore, the principle of free access to public records enables both investors and potential investors generous insight into the operations of Vellinge municipality.

Vellinge municipality will have its Green Bonds Framework reviewed by the Centre for International Climate and Environmental Research – Oslo (CICERO) who will issue a Second Opinion. The Second Opinion as well as the Green Bonds Framework will be made publically available on Vellinge municipality’s web site.

Green Bond Project Selection Process Flowchart

