

# GREEN FINANCE FRAMEWORK 2023

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# About Nacka Municipality

Nacka municipality has a population of over 109 000 citizens and is located in Stockholm. There are more than 15 000 businesses in Nacka where also the Municipality is the largest employer and employs roughly 4 500 people. The Municipality is in a growth phase.

The goal is to build 20 000 new homes and create 15 000 new jobs between 2014–2030. By 2040, the number of citizens is expected to reach just over 155 000. This growth is leading to new neighbourhoods are being developed and a new metro line will connect the central parts of Nacka to Stockholm City in just 12 minutes.

Swedish municipalities enjoy extensive fiscal autonomy and can issue bonds to fund the delivery of public services. Nacka Municipality is responsible by law for providing vital services such as pre-schools and schools and social care and elderly care. Other mandatory responsibilities include libraries, planning and building issues, environmental and health protection, waste, water and wastewater management and emergency services. The Municipality also provide voluntary services that are of value to society, such as cultural and recreational activities, energy supply, park maintenance and other technical services.

For several years, ESG has been a high priority within the Municipality. The ESG work is carried out in a systematic way for example, via its environmental program which includes environmental objectives and indicators until 2030. In 2018, the Municipality issued its inaugural green bond.

Since 2021, Nacka municipality is member in Viable Cities and one of several municipalities that is being offered resources from the Swedish Energy Agency (*Sw. Energimyndigheten*) through its participation in Climate Neutral Cities 2030 2.0. The aim is to develop and test new working methods to accelerate the climate transition together with businesses, academia, and civil society.

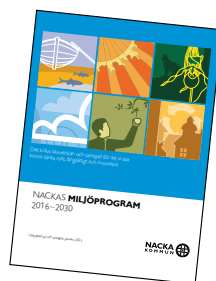
## ESG – natural part of Nacka Municipality

Nacka Municipality actively integrates ESG in its organisation as a whole. To be successful in the ESG work, active efforts and dialogue are needed to be had with citizens, civil society, and businesses. Together with the municipality owned companies, the Municipality strives to decrease the climate impact within the geographical area of Nacka municipality and also within its own organisation.

## E – Environmental responsibility

The Municipality's *Environmental Program* 2016–2030 consists of six environmental objectives broken down into 50 indicators and targets. Each year, Nacka municipality review its performance and report the progress in its' annual report. The municipality's six environmental objectives and target areas are largely based on Sweden's national environmental goals. The six environmental objectives are:

- *Limit climate change* – for example reduction of greenhouse gas emissions within the geographical area of Nacka municipality
- *Clean air* – for example to get more people to use bicycles
- *Toxic-free environment* – for example reduction of hazardous waste from residual waste
- *Clean water* – for example protection of marine environments
- *A good built environment* – for example the built environment in Nacka will contribute to a good living environment and a sustainable use of resources
- *Biodiversity* – for example ensure greater level of biodiversity



Nacka Municipality has also established a Waste Management Plan for 2021–2026. The plan focuses on four main objectives:

- *Prevent waste* including food waste
- Offer good service, access to *waste collection* and engage citizens
- Provide sustainable and safe *waste management*
- *Reduce litter* in public areas, natural areas and beaches



Additional environmental initiatives include:

- Launched a *Climate Change Adaptation Program* to evaluate climate related risks and proposed action plan to future-proof the Municipality
- Established a *carbon budget* to map emissions within the geographical area of Nacka and to contribute to the goals of the Paris Agreement
- *Nacka Municipality's climate network* - as the *first municipality in Sweden* and part of the Municipality's carbon budget initiative, companies and entrepreneurs can receive free analysis and an action plan on how to reduce transport-related emissions
- Hosted an event where citizens could share their thoughts on *Climate neutral Nacka 2030* – an innovation project for Nacka Municipality to intensify the work towards sustainable urban development

Further, through the Municipality's project *Climate neutral Nacka 2030*, Nacka Municipality is a member of Viable Cities which is an initiative focused on the transition to climate neutral and sustainable cities. *Climate neutral Nacka 2030* is collaborative project where Nacka municipality collaborates with different stakeholders within the municipality.

The project focuses on the urban development process and the location Centrala Nacka and is based on the Naturban<sup>1</sup> concept. Centrala Nacka is

<sup>1</sup> Dynamic meeting between city and nature - here there is variety, diversity and contrasts combined with care and greenery. The nature will characterize the design, sustainability and functions of Centrala Nacka.



facing a great urban transformation. In December 2022, Nacka municipality signed Climate Contract 2030 together with Viable Cities. In the contract, the municipality summarizes its commitments to accelerate the work in climate transition. This is an important step that clarifies Nacka's ambitions to strengthen its position as a municipality marked by strong, green and long-term sustainable growth.

Nacka Municipality also offers *free energy efficiency and climate counselling* to citizens, housing associations and businesses as well as annually hands out an *environmental award* to encourage its' citizens, municipality owned businesses, companies and associations to contribute to Nacka Municipality's environmental objectives.

The Municipality is also working to achieve fossil-free transport by 2030 and between 2020-2023 has participated in the project *Fossil-free 2030 Stockholm*. The project is a large-regional gathering of forces in six counties that aim to gear up and facilitate the transition to fossil-free transportation so that the 2030 goal for the transport sector can be met. This means restructuring the own organization but also includes electrification and expansion of charging infrastructure within the Municipality's geographical area for both citizens and businesses. An action plan has been drawn up within Fossil-free 2030, which the Municipality is working towards.

During October 2022, the political parties Moderaterna, Centerpartiet, Liberalerna, Kristdemokraterna and Miljöpartet, the green in Nacka reached an agreement to have a limited collaboration during the mandate period 2022–2026, which places an increased focus on sustainability for the upcoming mandate period. Among other things, it is about speeding up and increasing the pace of efforts that contribute to a lower climate impact through, for example, more charging points and express charging stations.

## S – Social responsibility

Nacka municipality works with social sustainability in many different ways. Many initiatives that contribute to the population's health and well-being are part of the Municipalities' s responsibilities. The initiatives should contribute to create long-term conditions for everyone in Nacka to experience good quality of life and to make healthy life choices. Many of the Municipality's initiatives focused on social aspects also contribute to meeting the goals of Agenda 2030.

Examples of initiatives during 2022 include:

- Arranged “*Kultur för alla*” – a project offering different activities such as karaoke for young people with disabilities
- Hosted Nacka’s qualification round to “*Funkisfestivalen*” – Sweden’s largest song contest for people over the age of 15 with cognitive or neuropsychiatric disabilities
- Offered *financial aid* to non-profit organisations in Nacka to help organise activities for refugee children and youths
- Hosted “*Seniordagen*” – an event to share Nacka’s different health-promoting activities for senior citizens
- Launched “*Tryggve*” – a collaboration with the Red Cross where senior citizens can get help with for example installing fire alarms free of charge, switching of light bulbs and fixtures etcetera.
- In 2023, Nacka will host the *Min Fritid* fair, which is a leisure fair for people with disabilities. The program is full of try-on activities and entertainment

## G – Governance & policies

The *Climate Program 2016–2030* serves as a guidance document in Nacka Municipality’s climate related work. Supporting governing documents include the *Waste Management Plan 2021-2026*, *Climate Change Adaptation Program*, *strategy on environmental & climate considerations in the urban development*, *guidelines on toxic-free pre-schools* and *action plan on fossil fuel-free transportation* as well as the *Comprehensive Plan*. *The Comprehensive plan* aim to create an easy way of seeing what the Municipality is seeking to achieve and where Nacka Municipality is heading. In addition, Nacka Municipality has several other policies in place such as the *Employment Policy* and *Purchasing Policy*.

## The United Nations Sustainable Development Goals

In 2015, the UN adopted the 2030 Agenda for sustainable development aiming to protect the planet, eradicate poverty and generate good welfare for everyone by 2030. Several of the Municipality’s responsibilities (for example school, social care and city planning) are directly or indirectly linked to goals och sub-goals in Agenda 2030. In Nacka Municipality, Agenda 2030 (Sustainable Development Goals “SDGs”) is based on the municipality’s governance model, which means that all committees, units and the municipality’s companies must be involved in the work to fulfill the goals and create a long-term sustainable Nacka.



## SUSTAINABLE DEVELOPMENT GOALS



# The Green Finance Framework

## Update of the Green Finance Framework

In March 2018, Nacka Municipality established a *Green Bond Framework* (“The Framework”) with the purpose of promoting the transition to low carbon and sustainable development. The Framework has now been updated to reflect most recent market trends and best practices. The Framework is aligned with the *Green Bond Principles* (“GBP”)<sup>2</sup> and its four core components: Use of proceeds, Process for project evaluation and selection, Management of proceeds and Reporting. The Framework is applicable for the issuance of green bonds and other types of green debt instruments (referred to as “Green Financing Instruments” hereafter).

Further, the Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the applicable principles. The Framework and second opinion from CICERO are available on the Municipality’s website.

## Use of proceeds

### *Green Projects*

The term green projects (“Green Projects”) means specifically selected projects in Sweden funded, in whole or in part, by the Nacka Municipality with the purpose of promoting the transition to low carbon and sustainable development.

### *Financing and refinancing*

An amount equal to the net proceeds can be used to finance new Green Projects and to refinance Green Projects. *New Green Projects* are defined as Green projects that have been finalized within one year before the approval by the Green Bond Council<sup>3</sup> and thereafter. The distribution between new financing and refinancing will be reported in Nacka Municipality’s annual investor letter.



### *Exclusions*










The proceeds of Nacka municipality’s Green Financing Instruments will not be used to finance either *fossil fuel energy generation, nuclear energy generation, weapons, and defence industries nor potentially environmentally negative resource extraction, gambling, or tobacco.*

### *EU Taxonomy*

The Municipality strives to align the Green Use of proceeds with the EU Taxonomy to the extent possible. The EU Taxonomy is a classification system with six environmental objectives. The Green Project categories in the Framework have been mapped against the EU Taxonomy’s environmental objectives which is presented in the below table.

<sup>2</sup> GBP published in June 2021 (with June 2022 Appendix I) are voluntary process guidelines for issuing Green bonds established by International Capital Markets Association (“ICMA”)

<sup>3</sup> Green bond council is described in chapter for Process for project evaluation and selection

Green Project categories	Sub-categories	Related SDGs	EU Taxonomy environmental objectives
<b>Renewable energy</b>	Wind power, solar power, and geothermal energy		Climate change mitigation
<b>Energy efficiency</b>	Energy storage, smart grids and electricity networks (including transmission, infrastructure or equipment), heat pumps, replacement and new installation of LED lighting, and replacement of oil boilers for heating		Climate change mitigation
<b>Sustainable transportation</b>	Fossil free public transportation, pedestrian and bicycle paths, biogas and electrical vehicles and logistics solutions		Pollution prevention and control
<b>Energy efficient commercial and residential buildings</b>	<p>New buildings (buildings built after 31 Dec 2020)<sup>4</sup></p> <ol style="list-style-type: none"> <li>Buildings with a Primary Energy Demand (PED) at least 20 percent lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures, or</li> <li>Buildings that meet the energy requirements for Miljöbyggnad Silver, or Nordic Swan Ecolabel (Sw. Svanen) or equivalent level</li> <li>For buildings larger than 5000 m<sup>2</sup>: <ul style="list-style-type: none"> <li>upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity, and</li> <li>the life-cycle Global Warming Potential of the building resulting from the construction has been calculated for selected stages in the Life Cycle</li> </ul> </li> </ol> <p>Existing buildings (buildings built before 31 Dec 2020)<sup>5</sup></p> <ol style="list-style-type: none"> <li>EPC A or</li> <li>Buildings that meet the energy requirements for Miljöbyggnad Silver, or Nordic Swan Ecolabel (Sw. Svanen) or equivalent level</li> </ol> <p>Major renovations</p> <ol style="list-style-type: none"> <li>Major renovations and re-construction leading to primary energy savings of at least 30 percent</li> </ol>	 	Climate change mitigation
<b>Waste management</b>	Recycling and re-use, rehabilitation of contaminated land and leachate management		Pollution prevention and control Transition to a circular economy
<b>Water and wastewater management</b>	For example water pipes (to reduce inflow/leakage and to replace privately owned wells and treatment plants), pumping stations (with more efficient and energy-efficient pumps) and stormwater dams (renovation of old ones and building new and modern ones)		The sustainable use and protection of water and marine resources
<b>Climate adaptation measures</b>	Climate adaptation measures in buildings, infrastructure and sensitive habitats		Climate change adaptation
<b>Environmental measures</b>	Environmental measures in other fields than climate mitigation and climate adaptation (max 20 percent), for example: <ol style="list-style-type: none"> <li>Nature conservation</li> <li>Biodiversity</li> <li>Development of non-toxic environments</li> <li>Improved eco-system services</li> </ol>		The protection and restoration of biodiversity and ecosystems

4 New buildings are defined as buildings built after 31 Dec 2020, in line with the current definition in the EU Taxonomy.

5 Existing buildings are defined as buildings built before 31 Dec 2020, in line with the current definitions in the EU Taxonomy.

## Process for project evaluation and selection

The evaluation and selection of Green Projects shall be preceded by an analysis to ensure that the project does not contravene any other prioritized area according to the categorization of Green Projects. For example, the energy efficiency gains may not be counteracted when the Municipality implements an adaptation measure.

The selection of Green Projects is managed by a dedicated group, the Green Bond Council ("GBC"). The Green Bond Council consists of officials from the entities whose responsibilities cover the conditions to determine if a project meets the requirements for being a green project according to this Framework

The Green Bond Council decides in consensus which projects that meet the requirements to be Green Projects according to this Framework. The selection of Green Projects is done among the investment projects approved by the Nacka Municipal Assembly. A list of Green Projects is kept by the City Management Office (*Sw. Stadsledningskontoret*) who is also responsible for keeping it up to date. If, for any reason, a Green Project ceases to comply with the requirements set out in the Municipality's Green Bond Framework such project will be removed from the green project portfolio.

The Municipality will follow the development of the Green financing market and manage any future updates of the Framework to reflect current and future market practices and potential updates to the GBP.

The list of Green Projects is monitored on a regular basis during the term of the green bonds to ensure that the proceeds are sufficiently allocated to Green Projects. This is also a responsibility of the GBC.

## Management of proceeds

The net proceeds from Nacka Municipality's Green bonds will be credited to a separate account with the purpose to finance Nacka Municipality's Green Projects. As long as green bonds are outstanding and proceeds from issuances are available on the separate account, Nacka Municipality shall, after the decision of the Green Bond Council, deduct funds from the separate account in an amount equal to disbursements for the financing/refinancing of green projects. Until disbursement to Green Projects, the separate account balance will be placed as part of the liquidity reserve. Should there be any unallocated proceeds Nacka Municipality strives to allocate them within one year.

All Green bonds issued by the Municipality will be managed on a portfolio level. The equivalent to the net proceeds from Nacka Municipality's green bonds are followed-up. This compilation will show issued amounts and selected Green Projects, which will be the basis for the allocation. The Green Bond Council is responsible for the follow-up and allocation of the net proceeds.

## Reporting

To enable investors and other stakeholders to follow the development of Nacka Municipality's Green projects and to get insight into prioritised areas, Nacka will provide an annual investor letter on the Municipality's website. The investor letter will cover the following areas:

### *Allocation report*

- Total amount of Green bonds issued
- A list of financed Green Projects within the Nacka Municipality
- Share of proceeds used for financing/refinancing and share of proceeds used for Green Project categories
- Share of unallocated proceeds (if any)

### *Impact report*

Nacka Municipality intends to report on quantitative impact indicators where reasonable and where relevant data is available. Some of the reporting indicators include:

- Estimation of avoided CO2e emissions
- Expected or actual energy use for each building
- For renewable energy projects, the amount of installed and produced renewable energy in kilowatt hours





## External review

### *Second opinion*

To confirm the transparency and robustness of Nacka Municipality's Green Bond Framework, it is verified and approved by an external second opinion provider. The second opinion by CICERO is available on the Municipality's website; [www.nacka.se](http://www.nacka.se) together with this Framework.

## Appendix

- [The Climate Program 2016–2030](#)
- [Action plan on fossil fuel-free transportation](#)
- [Agenda 2030 – sustainable development](#)
- [Carbon budget](#)
- [Climate Change Adaptation Program](#)
- [Climate contract – Nacka Municipality](#)
- [Climate Neutral Nacka 2030](#)
- [Employment Policy](#)
- [Link to political agreement](#)
- [Purchasing Policy](#)
- [Strategy on environmental & climate considerations in the urban development](#)
- [The Comprehensive plan](#)
- [Waste Management Plan 2021–2026](#)

