



Green Bonds Framework

6 March 2018

This is a translation of the Swedish version of Nacka 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.

This Green Bonds Framework governs Nacka Municipality's green bonds. The term *green bonds* means bonds that finance green projects (as defined below).

I. Management of proceeds

The net proceeds from the issue of green bonds shall be credited to a separate account with the purpose to finance Nacka Municipality's *green projects* (defined in section 2 below).

As long as green bonds are outstanding and proceeds from issues are available on the separate account, the Nacka Municipality shall, at the end of every fiscal triannual period, deduct funds from the separate account in an amount equal to disbursements for the financing of green projects made during such triannual period.

Until disbursement to Green Projects, the separate account balance will be placed as part of the liquidity reserve.

2. Use of proceeds – Green projects

The term *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.

To be selected as a green project, the project shall meet one of the following purposes:

1. reduce greenhouse gas emissions, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy
2. adapt operations to climate change, including investments in increased resilience
3. to a lesser extent (max 20%) investments in environmental projects which address other environmental issues than the climate.



The evaluation and selection of a green project 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.

Nacka Municipality's Green Bonds will not finance nuclear power or fossil-fuel based projects.

Nacka Municipality's Green Bonds can be used to finance new projects and to refinance green projects in accordance with this Green Bonds Framework¹.

The following categories of projects can be green projects:

- **Renewable energy** (wind power, solar power, bioenergy and geothermal energy).
- **Energy efficiency** (district heating/cooling, energy recovery, energy storage and smart grids as well as other energy efficiency measures) leading to a reduced energy use of at least 25%.
- **Sustainable transportation** (fossil free public transportation, pedestrian and bicycle paths, hydrogen, biogas and electrical vehicles and logistics solutions leading to reduced climate footprints from transportation of people and goods).
- **Replacement of fossil raw materials**, for instance from fossil based plastics to bioplastics.
- **Energy efficient commercial and residential buildings:**
 1. Commercial and residential buildings that meet the requirements for *Miljöbyggnad silver*, *BREEAM* and *BREEAM in use very good* or *Svanen* and have an energy use per m² that is at least 25% lower than the requirements in current national regulations (Boverkets byggregler, BBR)
 2. Major renovations leading to a reduced energy use of at least a 35% (kWh/m²/year).
- **Waste management** (recycling and re-use, rehabilitation of contaminated land and leachate management).
- **Water and waste water management.**
- **Climate adaptation measures** in buildings, infrastructure and sensitive habitats.

1) New projects are defined as projects that have been finalized within one year before the approval by the Green Bond Council and thereafter.



- **Environmental measures** in other fields than climate mitigation and climate adaptation (max 20%), for example:
 - Nature conservation
 - Biodiversity
 - Development of non-toxic environments
 - Improved eco-system services

3. Process for evaluation and selection of projects

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. 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.

4. Reporting

To enable investors and other stakeholders to follow the development of the Nacka Municipality's green projects and to get insight into prioritised areas, Nacka Municipality will provide an annual investor letter including:

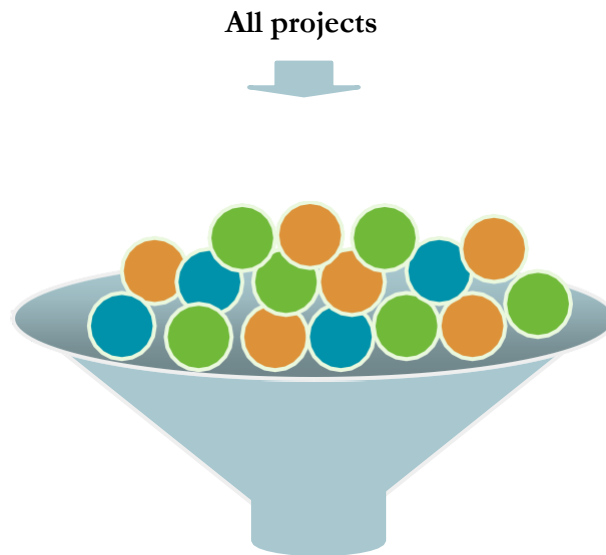
1. A list of financed green projects financed with proceeds from green bonds including:
 - a. allocated amounts
 - b. a description of the projects and their main environmental benefits
2. A description of the allocation between financing of new projects and re-financing
3. A description of the Nacka Municipality's green bond development.
4. Expected or actual energy use for each building.
5. For renewable energy projects, the amount of installed and produced renewable energy in kilowatt hours (kWh).

Environmental impact reporting shall be done as far as possible.

The use of proceeds from the green bonds, tracking and management of the funds is part of the annual internal control and will be included in the investor letter.

The investor letter will be published at Nacka Municipality's web page.

5. Flowchart for Nacka Municipality's Green Project Selection Process



Selection process in accordance
with Nacka Municipality's
Green Bonds
Framework



Guidelines:

1. EU-law
2. The Swedish Environmental Code (Miljöbalken)
3. Guidelines and regulations from the Swedish Building Regulations (Boverkets Byggregler, BBR) and other relevant agents as described above
4. Nacka Municipality's environmental goals, plans and programs

Selection of green projects is made in accordance with:

1. Definitions in the Green Bonds Framework
2. Selection from investment projects approved by the Nacka Municipal Assembly
3. Evaluation and selection is made by the Green Bond Council that determines in consensus which projects that meets the requirements for being a green project according to this Framework.