



GREEN BONDS FRAMEWORK

Municipality of Norrköping
October 2022



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1. THE MUNICIPALITY OF NORRKÖPING

Norrköping is a municipality in Östergötland County in southeast Sweden with a population of about 140 000 people. The Municipality of Norrköping (“Norrköping”) works actively with sustainability issues with the aim to transition to a society that meets the needs of today, without compromising future generations. The Municipality of Norrköping’s vision is to become one of the country's foremost environmental municipalities by 2035.

Sustainable Norrköping

The Municipality of Norrköping is growing and developing and despite the positive developments, discrepancies in quality of life and opportunities are still prevalent, both between individuals and different geographical areas within the municipality. This is why Norrköping has developed a number of overarching targets to strengthen cooperation and the sustainable development of society.

Through the Vision 2035, Norrköping aims to growth through creativity and knowledge, to ensure a high quality of life through experiences and proud environments and to create a community that takes responsibility for a sustainable future. The Vision 2035 provides clear targets for all employees of Norrköping’s diverse activities and companies.

Norrköping’s Overarching Goals

Focus area: Cohesion

| 1. Education, unemployment and skills | 2. Business environment | 3. Residential development | 4. Green transition and climate adaptation |
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| More children should pass knowledge targets to be eligible for higher studies | Norrköping should create a positive business climate where we facilitate the start of developing and establishing companies | Norrköping should, with short lead times provide land in varied and attractive environments | Norrköping should contribute to the transition by being energy efficient, increasing renewables and reducing different forms of emissions |

Focus area: Safety

| 5. Safe childhood | 6. Physically safe environments | 7. Trust and confidence | 8. Residences for people in need |
|---|--|--|--|
| Norrköping should be a role model when it comes to supporting people in need early on | Norrköping should work actively with accessible and safe outdoor environments, including safe play areas for children, throughout the municipality | The municipality should actively work to increase residents’ trust towards others and confidence in different societal functions | The municipality should ensure and enable different forms of acceptable accommodation even in sickness, age or need of support |

Focus area: Participation

| 9. Resident's equal access and participation | 10. Employees influence and work environment | 11. Contact with the Municipality | 12. Experiences, culture and freedom |
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| The municipality should actively work with equality to strengthen same rights and opportunities for everybody | The municipality should be an attractive employer, giving employees the opportunity to a sustainable working life and independence | It should under all circumstances be fast and easy for individuals and companies to get in contact with the municipality | The municipality's cultural activities should provide residents, tourists and other visitors experiences of the highest quality |

Norrköping has been a Global Municipality since 2012. This means that the municipality, together with the Swedish International Development Cooperation Agency (Sida) and local actors, wants to raise local and global connections and show how we can all be involved and contribute to a more sustainable world. This is why the municipality has chosen to connect its overarching goals with the UN Sustainable Development Goals, according to the most material sustainability questions: Good governance and coordination, consideration for people, leading and advancing environmental efforts, local community involvement.



As a leading municipality with regards to the environment, Norrköping will thoroughly economize its natural resources, transition to renewable fuels and energy sources and take advantage of technological innovation. Green agriculture plays a significant role in the transition by enabling locally produced, safe and healthy nutrition. Another focus are climate-smart transports in the form of public transport, walking and bike paths. With the help of close collaboration with external partners, Norrköping will actively work towards climate adaptation of the municipality's own and companies' activities.

Sustainability achievements and future focus

Despite external challenges, the Municipality's sustainability work has progressed broadly for the majority of the municipal group's companies. In 2021, Norrköping inaugurated a new sustainable bus depot with solar panels and energy optimization technologies. A new exhibition area with an environmental and sustainability focus has opened in 2022 at Visualization Center C. Norrköping's companies have further set examples through recycling initiatives such as the installations of recycled basins, which lead to an emission reduction of one ton CO2 in 2021. These are just few out of many examples which show Norrköping's forward-thinking mindset, credibility and long-term perspective with regards to sustainability work. For real estate companies, the future focus will be on finding new solutions for circularity and energy efficiency with reasonable cost and high quality. The transport and logistics companies continue to do their part shifts to more sustainable modes of operation by leveraging the municipality's innovative capabilities to the fullest. More information about Norrköping's sustainability targets and achievements can be found in the [Sustainability Report](#).

2. GREEN BONDS FRAMEWORK

In October 2016, the Municipality of Norrköping issued its first Green Bond supporting the transition to a low-carbon and climate resilient society. The framework at hand provides an update to the previously issued Green Bonds Framework, extending the definitions and aligning them with prevailing market standards and regulatory developments such as the EU Taxonomy. The framework is aligned with the ICMA Green Bond Principles 2021.

The Eligible Projects will consist of a selected pool of projects that promote the transition to low carbon and climate resilient growth in line with the Municipality of Norrköping's environmental goals as outlines in the use of proceeds categories defined by the Municipality of Norrköping on the following page.

Projects financed under this framework are, to the extent feasible, aligned with the Technical Screening Criteria of the EU Taxonomy Regulation for the objectives Climate Change Adaptation and Climate Change Mitigation.

Use of Proceeds

| Green Bond Principles Category | Project types | EU Environmental Objective |
|--------------------------------|---|--|
| Renewable energy | Renewable energy generation and supporting infrastructure <ul style="list-style-type: none"> Wind, solar, small-scale geothermal and biogas from waste | Climate change mitigation |
| Energy Efficiency | Individual installations and improvements in existing buildings, activities and operations <ul style="list-style-type: none"> Leading to efficiency improvements compared to existing technology (such as new control technology, ventilation systems, lighting and window replacements) | Climate change mitigation Climate change adaptation |
| Green buildings | Residential and non-residential buildings <ul style="list-style-type: none"> New buildings with a primary energy demand (PED) at least 10 per cent lower than the threshold set for nearly zero-energy buildings (NZEB) in national measures (Swedish Building Regulations, BBR) valid at the time of construction. New buildings are encouraged to have a minimum certification of either LEED gold, BREEAM very good, Miljöbyggnad silver, the Nordic Swan Ecolabel or other certification of similar ambitions Existing buildings which represent the top 15 per cent most energy efficient buildings of the national or regional building stock or are classified with an energy performance certificate class A. Major renovations of buildings <ul style="list-style-type: none"> Leading to a reduced primary energy demand (PED) of at least 30 per cent | Climate change mitigation |

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| Clean Transportation | Sustainable public and individual transportation <ul style="list-style-type: none"> • Non-fossil fuels and related infrastructure | Climate change mitigation |
| Pollution prevention and control | Waste management <ul style="list-style-type: none"> • Recycling and re-use • Rehabilitation of contaminated areas • Initiatives to prevent the generation of waste | Climate change mitigation |
| Sustainable water and wastewater management | Water management <ul style="list-style-type: none"> • Projects and investments to ensure societies overall water needs and reduce the risk of draft and floods | Climate change mitigation Climate change adaptation |
| Climate change adaptation | Climate change adaptation measures in buildings <ul style="list-style-type: none"> • Activities contributing to reducing the negative effects of climate change such as costs for adaptation of buildings, infrastructure and sensitive surroundings | Climate change mitigation |
| Environmentally sustainable management of living natural resources and land use <i>(max. 20 per cent)</i> | Conservational activities <ul style="list-style-type: none"> • Nature conservation • Biodiversity • Development of non-toxic environments • Preparation of meals with lower climate impact in preschool, school, elderly care and group housing. | Climate change mitigation Climate change adaptation |

The Municipality of Norrköping will not finance nuclear or fossil fuel projects through its Green Bonds. The Green Bonds can be used to finance new projects and to refinance Eligible Projects in accordance with this Green Bonds Framework. The ambition is to use the majority of the Green Bond proceeds to finance new projects¹.

Evaluation and Selection of Eligible Projects

The Municipality of Norrköping has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as eligible assets and projects for its green bonds. The process of including projects and assets into the pool of eligible green projects are part of Municipality of Norrköping's budget setting process and follows the below outlined process:

1. All investment projects included in the budget proposal will be assessed annually, based on its alignment with the above eligibility criteria by the respective management of the departments and companies owned by the municipality. Investment projects assessed to be aligned with the eligibility criteria will be included in a list of potential eligible projects.

¹New projects are defined as projects that have been finalized within one year before the time of approval and forward.

2. The list of potential eligible projects are evaluated by the Finance and Corporate unit together with an environmental controller from the Investigation and Development unit.
3. For the remaining eligible projects, a dialogue is initiated by an environmental controller with respective project leader to assure the greenness of the project and to develop suitable reporting metrics for impact reporting. After this final assessment the investments classified as eligible projects are included in the green assets and projects pool.

Management of Proceeds

An amount equal to the net proceeds of the issue of the notes will be credited to a special account that will support the Municipality of Norrköping's lending for Eligible Projects. As long as the notes are outstanding and the special account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the special account and added to the Municipality of Norrköping's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects. Until disbursement to Eligible Projects, the special account balance will be placed as part of the liquidity reserve and managed accordingly.

If, for any reason, a financed Eligible Project ceases to meet the eligibility criteria, it will be removed from the pool of projects financed with proceeds from Green Bonds issued by the Municipality of Norrköping.

Reporting

To enable investors to follow the development and provide insight to prioritized areas, the Municipality of Norrköping will provide an annual Green Bond Report to investors including 1) a list of projects financed and estimated or actual impact from these projects 2) a selection of project examples and 3) a summary of Norrköping's Green Bond development. The Municipality of Norrköping reports its Green Bond impact in accordance with *the Nordic Public Sector Issuers: Position paper on Green Bonds Impact Reporting*.²

The Green Bond Report, including the use of proceeds, tracking and management of funds, will be assured by the Municipality of Norrköping's internal auditor. The opinion of the auditor and the Green Bond Report will be made publicly available on the Municipality of Norrköping's web page. Furthermore, the principle of free access to public records is applied which enables both investors and potential investors generous insight.

Examples of Impact Reporting Metrics

| Green Bond Principles Category | Selected Impact Indicators |
|--------------------------------|---|
| Renewable energy | <ul style="list-style-type: none"> Installed renewable energy production capacity (megawatt hours) |
| Energy Efficiency | <ul style="list-style-type: none"> Energy saved (megawatt hours) |

²https://kommuninvest.se/wp-content/uploads/2020/02/NPSI_Position_paper_2020.pdf

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| Green buildings | <ul style="list-style-type: none"> Greenhouse gas emissions avoided (tonnes carbon dioxide equivalents) Amount of energy saved (megawatt hours) |
| Clean Transportation | <ul style="list-style-type: none"> Greenhouse gas emissions avoided (tonnes carbon dioxide equivalents) |
| Pollution prevention and control | <ul style="list-style-type: none"> Recycling and re-use, rehabilitation of contaminated areas |
| Sustainable water and wastewater management | <ul style="list-style-type: none"> Water withdrawals or treatment capacity (cubic meters day or tonnes per day) |
| Climate change adaptation | <ul style="list-style-type: none"> Projects financed (number) |
| Environmentally sustainable management of living natural resources and land use (max. 20 per cent) | <ul style="list-style-type: none"> Land area protected (meters squared) |

External review

The Municipality of Norrköping has engaged Cicero Shades of Green to act as an external verifier of this Green Bond Framework. The Second Party Opinion as well as supporting material is publicly available on the Municipality of Norrköping's website.

An independent external party, appointed by the Municipality of Norrköping will on an annual basis provide a review, confirming that an amount equal to the Green Bond net proceeds has been allocated to Green Projects.

Publicly available documents

The Green Bond Framework and the Second Party Opinion will be publicly available on the Municipality of Norrköping's website together with the Post-issuance review of the annual Green Bond Impact Report once published.