Green Bond Framework

City of Malmö, November 2017
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Important notice

This document (the “Green Bond Framework”) contains information on Malmö stad’s ("Malmö") issuance of interest-bearing notes with added environmental criteria (the “Green Terms”). Any such issuance by Malmö that includes the Green Terms in its loan documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be labelled a Green Bond ("Green Bond"). Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. Any issuance of notes will be subject to the version of the Green Terms in the associated loan documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Green Bond Framework on Malmö’s website.

In November 2017 Malmö announced to the market that it intends to issue Green Bonds and subsequently made this document, The Green Bond Framework, available on its website.

Malmö stad was the first Local Authority in Sweden to sign the Global Agenda 2030 for Sustainable Development, and we have thereby committed to implement the United Nations Sustainable Development Goals at the local level.

Already in 2009, when the ambitious Environmental Programme was launched, Malmö took on the challenge to be one of the Best Cities in the World for Sustainable Urban Development by 2020.

The Environmental Programme sets out four main objectives to be reached by 2020, outlined in the graphic to the right:

- Sweden’s Most Climate Friendly City
- Malmö – the City of the Future
- Sustainable Use of Natural Resources
- It’s Easy to Do the Right Thing in Malmö

The City of Malmö as a whole has a shared responsibility to realise the goals and objectives outlined in the environmental programme. A successful environmental agenda does not wait for the perfect solution;

City of Malmö’s Environmental Programme

1. Sweden’s Most Climate Friendly City
Malmö’s own organization will be climate neutral by 2020, and by 2030 the entire city of Malmö will be supplied with 100% renewable energy.

2. Malmö – the City of the Future
Malmö will be a flourishing and leading knowledge, demonstration and development centre for sustainable development.

3. Sustainable Use of Natural Resources
Malmö’s natural resources, in the form of land, sea, limestone pavement, freshwater and biological diversity, are valuable assets which will be protected and used sustainably.

4. It’s Easy to Do the Right Thing in Malmö
Resource usage will be characterised by sustainability and long-term thinking. It will be easy for residents, industry and the municipality itself to make sustainable choices when it comes to commodities, services, travel, and waste management.
it has to be experimental in nature and employ diverse working methods.

For each part of our operations we must find the method that best succeeds in achieving the objectives of this environmental programme. We therefore welcome initiatives from citizens and industry. Our creative work around development has resulted in Malmö being an attractive home for citizens and businesses alike. We want to show how a progressive environmental agenda pays off, not only environmentally, but also from a social and economic perspective.

To ensure progress, we use a set of quantitative and qualitative indicators to monitor the development in Malmö. These are reported annually in the Environmental progress report (Swe. "Miljöredovisningen").

More information about our work with sustainability is available on our website (malmö.se/gronaobligationer).

Malmö will strive to monitor the development of the Green Bond market to continually advance the Green Terms. As such the Green Bond Framework may be updated from time to time to reflect current market practices. In establishing the terms in this framework Malmö has sought to comply with the Green Bond Principles (June, 2017) as well as the current best market practice.

Malmö has worked together with Handelsbanken to develop the Green Bond Framework. Sustainalytics has provided a second opinion on the Green Terms, which is publicly available on Malmö’s website.

Malmö, 2017-11-16

Katrine Stjernfeldt Jammeh
Major
Municipal Executive Board
Malmö Stad

Kerstin Åkerwall
Director
Environment Department
Malmö Stad

Ola Nyberg
Head of Treasury
Finance Department
Malmö Stad
Eligible Projects and Assets are green assets identified within City of Malmö’s existing assets and ongoing development that support the transition to low carbon intensity and sustainable development. All Eligible Projects and Assets shall contribute to one or more of the following set of global criteria:

1. Mitigation (M)
Reduce harmful emissions of greenhouse gas, either by improving and transitioning existing assets through meaningful upgrades and retrofits or by investing in new assets utilizing low carbon intensive technology and environmentally sound solutions.

2. Adaptation (A)
Adaptation investments to better withstand the effects brought on by climate change, improving the resilience to climate change and expected changes in the micro-climate and local environment, for instance, increased rainfall, heightened risk of flooding or sea level rise.

3. Environment and eco-systems (E)
Support environmental investments with a positive environmental impact other than the direct mitigation of climate change (max 15% of net proceeds).
Alignment with the UN Sustainable Development Goals

The UN Sustainable Development Goals ("SDG") were adopted by the United Nations general assembly on September 25th 2015. There are 17 global goals with 169 defined underlying targets. The two charts below highlights each of the 17 goals that are incorporated into the City of Malmö’s operations as well as this Green Bond Framework.

City of Malmö works towards all SDG’s.

“Malmö stad was the first Local Authority in Sweden to sign the Global Agenda 2030 for Sustainable Development.”
1. Eligible Projects and Assets (Use of Proceeds)
The net proceeds from the issuance of Green Bonds will be used by Malmö to, in whole or in part, finance a select pool of “Eligible Projects and Assets” that promote environmental matters in different areas. The net proceeds will be used exclusively on project and assets that comply with the categories and criteria’s set out below. The net proceeds will not be allocated or linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. The ambition is to allocate the majority of the net proceeds to new projects (defined as projects and assets financed within 12 months from completion).

CLEAN TRANSPORTATION (M)
Investments in supportive infrastructure and solutions for clean transportation, for example infrastructure for low carbon solutions for public transport, infrastructure for public transport or other investments that support and emphasize the use of clean transportation solutions, electric vehicles (plug-in hybrids or fully electric), charging stations for electric vehicles, bicycling garages, pedestrian walkways and bicycle lanes.

CLIMATE CHANGE ADAPTATION (A)
Investments to mitigate the negative consequences of climate change in the City of Malmö, including adaptation of buildings, infrastructure, parks and natural landscapes to better withstand, for example, increased rainfall, heightened risk of flooding or sea level rise.

ENERGY EFFICIENCY (M/A)
Investments in the existing portfolio of assets that target a lower overall energy use and an improved environmental footprint. This could include, for instance, the installation of geothermal energy, smart grids, energy-efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows or an upgraded ventilation system. Only directly associated expenditure (e.g. material, installation and labor) is eligible for financing. Malmö will ascertain the following:

a) High estimated net energy savings in the targeted area for physical installations (min. 20%).
b) Minimize long term negative climate impact and potential lock-in or rebound effects.
c) Minimal negative climate impact from the technology used.

ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES (M/E)
Investments in projects and assets that preserve, restore or manage living natural resources in a sustainable way, such as:

Nature Conservation (marine and terrestrial)
Investments in nature conservation that preserve biological diversity, restores and preserves valuable natural habitats and landscapes, such as forests, wetlands, meadows or shallow sea-beds, and the ongoing management of such assets within the City of Malmö.

Green City and Biodiversity
Investments in urban and sub-urban areas that support a green city environment that promote, restore or preserve biological diversity, such as parks, trees, green rooftops, green walls or urban biotopes.

GREEN AND ENERGY EFFICIENT BUILDINGS (M)
Investments in buildings within the City of Malmö that meet the criteria of Green Buildings, Energy Efficient Buildings or Major Renovation, as defined in the next section.
Green Buildings

Development, acquisition or otherwise completed residential, public and commercial properties that have or will receive (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification in any of the following building certification schemes at the defined threshold level or better:

a) Miljöbyggnad "Silver",
b) BREEAM-SE "Very Good",
c) BREEAM in-use "Very Good",
d) LEED "Gold",
e) Svanen or

a verification via self-assessment by the asset owner within City of Malmö ensuring compliance with Miljöbyggnad program Syd grade "B" or better.

Energy Efficient Buildings

Development, acquisition or otherwise completed residential, public and commercial properties that have at least 15% lower energy use per square meter than required according to applicable national regulations (Boverkets Byggregler, "BBR") or, for properties to which BBR is not applicable, an energy use within the top 15% of the local market (supported by an independent study).

Major Renovation

Major renovation of existing properties, either ongoing or completed, whereby an External Consultant has verified that the energy savings will be at least 30%, or higher, compared to pre-renovation.

Pollution Prevention and Control (M/E)

Investments that limit, remove or treat the presence of harmful substances and/or greenhouse gas, such as:

Soil Remediation

Investments in soil remediation, meaning the removal of harmful substances in the soil from mainly human activity in the past. Such investments require that a soil survey has been carried out and an emphasis is placed on the reuse of the material (with destruction or deposit as a last option).

Removal of Harmful Substances

Investments in the removal and replacement of harmful substances in products, assets or projects, such as microplastics, chemicals or metals, that have been linked to negative effects on biodiversity, human health and/or the environment.

Waste Management

Investments in waste management, such as collection, prevention, reduction or recycling of waste.

Renewable Energy (M)

Investments in renewable energy, such as solar power, wind power or bio-fuels (biogas from waste), either on an existing asset or as a stand-alone investment.

Sustainable Water and Wastewater Management (M/A/E)

Investments in the processing of wastewater and supply of fresh water, such as upgrades, efficiency improvements, capacity expansions, enabling infrastructure, new network infrastructure or new-build within the City of Malmo’s water and waste water management.

See the last page of the framework for definitions.
2. Process for Project Evaluation and Selection

The business units, administrative departments and environmental department within Malmö will nominate projects and assets within the eligible categories to a Sustainable Finance Committee consisting of members from the Environmental Department, Finance Department and environmental experts from Malmö’s business units.

A decision to allocate net proceeds will require a consensus decision by the committee, whereby the Environment Department will effectively hold a veto.

The projects and assets must also be compliant with the Green Terms, applicable national laws and regulations, and policies and guidelines within the City of Malmö. The decision will be documented by the committee and a record will be kept.

To ensure legitimacy in this process a list of all Eligible Projects and Assets that meet the Green Terms will be kept by Malmö. The list will be used as a tool to determine if there is a current or expected headroom to issue a Green Bond.

3. Management of Proceeds

The net proceeds of any issue under the Green Bond Framework will be credited to an earmarked account (the “Green Account”). A transfer from the Green Account is allowed in an amount corresponding to the financing or refinancing of Eligible Projects and Assets that have met the Green Terms, or to repay a Green Bond. If a Project or Asset no longer qualifies according to the Green Terms the funds will be reallocated to projects and assets that meet the Green Terms.

The Green Account ensures strong monitoring and tracking of the Use of Proceeds. If the Green Account has a positive balance the unallocated funds may be invested in short term interest bearing securities pending investment in Eligible Projects and Assets. Such allowed investments are Swedish treasury bills and highly rated short term bank notes (A+ rating from Standard & Poor’s or an equivalent rating from Moody’s or Fitch).

The allocation of proceeds will be verified by an internal auditor at City of Malmö (see “Annual Review” in Reporting and Transparency).
4. Reporting and Transparency

Malmö will publish a yearly report on its external website (malmo.se) that will detail the allocation of green net proceeds and adherence to the Green Terms (the “Reporting”). The first such Reporting is expected to take place in April 2018 and will be available in Swedish. The Reporting will contain information on Eligible Projects and Assets that have been financed with Green Bonds, a summary of Malmö’s activities in the past year as pertains to Green Bonds as well as information, including examples, regarding Eligible Project and Asset’s adherence to the relevant criteria.

**Allocation Disclosure**

- For **large investments**, such as Green Buildings, stand-alone projects in Renewable Energy (such as a wind farm) and infrastructure development within Clean Transportation, the Reporting will disclose the sum of allocated net proceeds to each project or asset, the aggregate market value (or investment cost, as applicable) and the sum of other external debt financing such projects and assets.

- For **small investments**, such as Energy Efficiency, on-site installations in Renewable Energy (such as solar on existing buildings) and soil remediation projects within Environmentally Sustainable Management of Living Natural Resources the total allocation of green net proceeds to each category will be disclosed.

- The sum of outstanding Green Bonds and the sum of the Green Account balance (including any short term investments).

- The proportion of net proceeds allocated to new projects (defined as projects and assets financed within 12 months from completion).

- All data shall be from the last of December in the previous year.

The Reporting will also contain a disclosure of a select set of asset level indicators and measurements. The data will be provided in a table format and disclosing, where and when available, the following indicators and measurements:

**Estimates and in-use data:** If an impact metric is not yet available, for instance the energy use of a Green Building that is under construction but not yet operational, Malmö will strive to provide estimates of future performance levels once the project/asset is operational.

**Clean Transportation**

Each yearly report will include an example of a Clean Transportation investment that has been financed with green net proceeds (if such a project has been financed). Given the number of project types that qualify under the category the KPI’s will not be disclosed beforehand in the framework. Malmö will emphasize capacity, distance and quantity, where applicable, as relevant performance metrics.

**Climate Change Adaptation**

Each yearly report will include an example of a Climate Change Adaptation that has been financed with green net proceeds (if such a project has been financed). Given the number of project types that qualify under the category the KPI’s will not be disclosed beforehand in the framework. Malmö will emphasize a description of the reason for the investment, and when and where available, indicators that highlight the resilience created by the investment.

**Energy Efficiency**

Each yearly report will include an example of an Energy Efficiency investment that has been financed with green net proceeds (if such a project has been financed).
Given the number of project types that qualify under the category the KPI's will not be disclosed beforehand in the framework. Malmö will emphasize a description of the investment and the stated goal, as well as the area/size and type of land (if applicable), as relevant information metrics.

RENEWABLE ENERGY
i. For an installation of a renewable energy in a real estate asset the percent of the assets total energy use supplied by the installation, the kWh/year and the estimated yearly greenhouse gas savings will be disclosed.

ii. For an investment in a stand-alone renewable energy project the kWh/year and the estimated yearly CO2 savings will be disclosed.

SUSTAINABLE WATER AND WASTEWATER MANAGEMENT
i. Qualitative improvements in freshwater supply or wastewater/stormwater management and treatment (when available and applicable).
ii. Quantity of treated waste water or supplied fresh water (cubic meters per year).
iii. Environmental certification (if applicable).
iv. Energy consumption disclosed by absolute consumption (MWh per year) and intensity (kWh per square meter and year).
vi. Calculated carbon footprint disclosed by absolute emissions (tonnes per year) and intensity (kilogram per square meter and year).

POLLUTION PREVENTION AND CONTROL
For pollution prevention and control the aggregated values of underlying projects will be disclosed.

Soil remediation
i. Type of harmful substances removed.
ii. Area of remediated land (square meters).

Removal of harmful substances
i. Type of harmful substances removed.
ii. Quantities of harmful substances removed, where measurable.

Waste Management
Each yearly report will include an example of an investment that has been financed with green net proceeds (if such a project has been financed).
Definitions

“Malmö’s own organization will be climate neutral by 2020, and by 2030 the entire city of Malmö will be supplied with 100% renewable energy.”

“Miljöbyggnad Silver” means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

“BREEAM-SE Very Good” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by Sweden Green Building Council in cooperation with BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

“BREEAM in-use Very Good” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

“LEED Gold” means the rating Gold within LEED, a grading scheme for the real estate sector developed by the U.S. Green Building Council and administered in Sweden by the Sweden Green Building Council, pursuant to its definition at the time of receipt of the relevant certification.

“BBR” means the Swedish national building regulation set up by the National Board of Housing, Building and Planning, determining the regulatory requirements and offering general advice regarding all stages of planning, construction and operations of real estate assets.

“External Consultant” means a third party with relevant expertise contracted by the City of Malmö to perform an energy savings analysis on a project/asset.

“Svanen” means the environmental assessment and certification scheme of real estate assets developed and administered by the Nordic Swan Ecolabel, pursuant to its definition at the time of receipt of the relevant certification.

“Miljöbyggnad Silver” means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

“BREEAM-SE Very Good” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by Sweden Green Building Council in cooperation with BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

“BREEAM in-use Very Good” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

“LEED Gold” means the rating Gold within LEED, a grading scheme for the real estate sector developed by the U.S. Green Building Council and administered in Sweden by the Sweden Green Building Council, pursuant to its definition at the time of receipt of the relevant certification.

“BREEAM in-use Very Good” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

“LEED Gold” means the rating Gold within LEED, a grading scheme for the real estate sector developed by the U.S. Green Building Council and administered in Sweden by the Sweden Green Building Council, pursuant to its definition at the time of receipt of the relevant certification.
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