

# Örebro Municipality's Green Bond Framework

September 2018

## Table of content

<b>Örebro Municipality's Green Bond Framework.....</b>	<b>3</b>
<b>1. Use of proceeds.....</b>	<b>4</b>
Eligible project categories .....	4
<b>2. Process for project evaluation and selection.....</b>	<b>5</b>
<b>3. Management of proceeds.....</b>	<b>6</b>
<b>4. Reporting .....</b>	<b>7</b>

## Örebro Municipality's Green Bond Framework

The purpose of this document is to describe Örebro Municipality's second Green Bond Framework built on Örebro Municipality's overall sustainable development strategy including the Environmental Programme, which corresponds with the Sustainable Development Goals. Örebro Municipality was the second municipality in Sweden to issue a green bond. In 2014, we launched our first Green Bond Framework along with the issuance of our first green bond.

Our framework is developed and formulated according to ICMA's Green Bond Principles 2018. It is the intention of Örebro Municipality to follow best practices in the market as the standards develop. Örebro Municipality also recognizes the importance of impact reporting and we are one of the initiators in the Nordic Public Sector Issuers: Joint Position Paper on Green Bonds Impact Reporting. We have contributed actively in this initiative, aiming to advance and progress impact reporting. The first edition of the Position Paper was published in October 2017, available at [www.orebro.se](http://www.orebro.se).

For many years, Örebro Municipality has been a top performing municipality within the field of climate and environment, according to external reviews. In a yearly ranking between all 290 Municipalities in Sweden, the average position for Örebro in the years 2009-2018 was 13,5. In 2015, Örebro Municipality was ranked number one among all the 290 municipalities in Sweden, receiving the award "miljöbästa kommun" ("Best Environmental Municipality"). Specifically, our green finances were emphasized in the competition with all other municipalities.

The framework has four components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

## 1. Use of proceeds

“Eligible Projects” means a selected pool of projects determined as eligible according to this framework. Eligible projects promote the transition to a low-carbon and climate resilient society. Projects might be funded in whole or in part by Örebro Municipality.

Eligible Projects include projects that target either climate change or other environmental issues:

- a) mitigation of climate change, including investments in low-carbon and clean technologies, such as energy efficiency and renewable energy programs and projects (Mitigation Projects)
- b) adaptation to climate change, including investments in climate-resilient infrastructure (Adaptation Projects) or
- c) to a smaller extent (max 20 %) projects which are related to environmental management in other areas than climate change (Environmental Management).

### Eligible project categories

The project categories below correspond directly to the achievement of the following Sustainable Development Goals: 6: Clean water and sanitation, 7: Renewable energy, 11: Sustainable cities and communities, 12: Responsible consumption, 13: Climate action, 14: Life below water, 15: Life on land. Investments in these categories will also indirectly enable goal achievements in Örebro as well as globally regarding the Sustainable Development Goals 1: No poverty, 2: No hunger, 3: Good health, 4: Quality education, 5: Gender equality, 8: Good jobs and economic growth, 9: Innovation and infrastructure and 10: Reduced inequalities.

**Renewable energy (a):** Production and supply of renewable energy and related infrastructure (e.g. wind, solar and biogas<sup>1</sup>) – or conversion from fossil to renewable energy.

**Energy efficiency in energy systems (a):** Energy efficiency in energy systems, such as district heating/cooling, energy recovery and storage and smart grids, leading to a reduced energy use of at least 25 %.

**Energy efficiency in activities and operations (a):** Energy efficiency in activities and operations other than energy systems and buildings, e.g. community planning, drinking water, hot water and sewage water, leading to a reduced energy use of at least 25 %.

#### Green buildings and energy efficiency (a):

- 1) Residential multi-family buildings: New or existing buildings fulfilling the requirements in “Miljöbyggnad silver”, a certification-model developed by the Sweden Green Building Council, including at least 20 % less energy use per square metre and year than the requirement set by applicable building regulations (Boverkets byggregler, BBR) as in force at the time of approval.
- 2) Non-residential buildings: New or existing buildings fulfilling the requirements in “Miljöbyggnad silver”, a certification-model developed by the Sweden Green Building Council, including at least 30 % less energy use per square metre and year than the requirement set by applicable building regulations (Boverkets byggregler, BBR) as in force at the time of approval.

- 3) Major renovation of buildings leading to a reduced energy use per square meter of at least 30 % or compliance with applicable regulations for new buildings.
- 4) Energy efficiency measures in partial systems of existing buildings leading to at least 30 % less energy use.

**Clean transportation (a):** Public non-fossil transportation infrastructures and systems supporting sustainable transportation - such as infrastructures for bicycles, pedestrians, electrical vehicles and logistic solutions with reduced environmental impact for transportation of people and cargo.

**Waste management (a, c):** Reducing the amount and harmful impact of waste, increasing re-use and recovery of material and energy.

**Water and waste water management (b, a):** Water management such as water infrastructure and systems, waste water management and cleaning facilities.

**Climate change adaptation measures in buildings, infrastructure and sensitive habitats (b):** Including information support systems, such as climate observation and early warning systems.

**Environmental management (c):** Environmental management in areas other than climate change (max 20%).

- 1) Improving eco-systems services e.g. nature conservation by means of protecting, restoring, and creating valuable milieus and rich biodiversity in plants and animal life.
- 2) Development of non-toxic environments (reduced use of harmful material, dangerous chemicals, toxic pollution)
- 3) Sustainable buildings with densification, health promoting accommodation and surroundings, increasing green values.

Örebro Municipality will not finance nuclear or fossil energy generation projects through its Green Bonds.

## 2. Process for project evaluation and selection

Eligible projects will be selected through a rigid, established and transparent process to secure the quality.

The following functions are involved in the evaluation and selection process: a) from Örebro Municipality: The Department of Treasury and the Department of Sustainable Development, and b) from Örebro Municipality Corporate Group<sup>2</sup>: a board of climate and environmental experts, and finally, c) the Finance Committee<sup>3</sup>.

The Department of Treasury operates the process, supported by the Department for Sustainable Development. All boards and functions meet on a quarterly basis.

<sup>1</sup> from food waste, energy crops and manure, not from peat.

<sup>2</sup> Örebro Rådhus AB

<sup>3</sup> The Finance Committee consists of the CFO of Örebro Municipality, and CEOs of the municipality corporate group, i.e. Örebro Rådhus AB's corporations with responsibility for renewable energy, for tenement buildings, for real estate for preschool, school, nursing homes etc. as well as for other activities.

The selection process is defined as follows. The Eligible Projects will be:

- 1) **Identified** by climate and environmental experts close to the green projects in the Örebro Municipality Corporate Group<sup>2</sup>.
- 2) **Proposed** for green funding, by the climate and environmental experts along with the accountable economists. The interest in green funding for specific projects is formulated and applied for in a green loan application.
- 3) The green loan applications are **reviewed** by the Department for Sustainable Development.
- 4) Processed jointly and **recommended** for approval in consensus by the Department for Sustainable Development and the Department of Treasury.
- 5) The eligible projects will finally **approved** by the Finance Committee.

For the project to be included in the eligible projects pool, it shall comply with:

- 1) the eligible projects categories listed in the section above,
- 2) Örebro Municipality's Environmental Programme<sup>4</sup>,
- 3) Swedish and EU laws regarding climate and environment,
- 4) Sweden's intended nationally determined contributions according to the Paris agreement and the 2030 Agenda for sustainable development.

In addition to selecting eligible projects, the above functions will throughout the business year follow the Green Bond market development and evaluate needs for and possibilities to refine the Green Bond Framework and the processes for monitoring and reporting.

### 3. Management of proceeds

Örebro Municipality's green bonds can be used to finance new projects and to refinance eligible projects in accordance with this framework. The ambition is to use the majority of the green bond proceeds to finance new projects. New projects are defined as projects that have been finalized within the last year before issuance of the Green Bond and forward.

Each project will be evaluated at least on an annual basis to ensure compliance with the eligibility criteria set out in section 1 above. If, for any reason, an eligible project ceases to meet the environmental criteria in the Green Bond Framework, the project will be replaced with an eligible project.

An amount equal to the net proceeds of the issue of the Green Bonds will be credited to a special account that will support Örebro Municipality's lending for eligible projects. Until disbursement to eligible projects, the special account balance will be placed in liquidity reserves. As long as the Green Bonds are outstanding and the special account has a positive balance, funds will be deducted from the special account and added to Örebro Municipality's lending pool in an amount equal to all disbursements from that pool made in respect of eligible projects.

<sup>4</sup>The Environmentally Programme is built up by the steering documents for climate, environmentally friendly buildings, a non-toxic environment, transport management, water management, waste management and nature conservation.

## 4. Reporting

To enable investors to follow the development and provide insight to prioritised areas, Örebro Municipality will provide an annual investor letter to investors. Örebro Municipality will report environmental impact in accordance with the Nordic harmonised approach, as outlined in “Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting”. The investor letter will include:

- 1) a list of all projects exceeding SEK 25 million including a brief description of the projects and the amounts allocated and their expected impact,
- 2) a selection of project examples,
- 3) the distribution between new and refinanced Eligible Projects, and
- 4) a summary of Örebro Municipality's green bond development. Information will include statistics on our green project portfolio with reporting on expected impact. Our ambition is to provide actual impacts when feasible and relevant, according to the Joint Position Paper on Green Bonds Impact Reporting of the Nordic Public Sector Issuers.

The investor letter will be made publically available on Örebro Municipality's web page. The management of proceeds, tracking and management of funds will be assured by Örebro Municipality's yearly internal control. Furthermore, the principle of free access to public records is applied. This enables both investors and potential investors generous insight.

Örebro Municipality will have its updated Green Bonds Framework reviewed by the Centre for International Climate and Environmental Research – Oslo (CICERO) who will issue an updated Second Opinion. This Second Opinion as well as the Green Bonds Framework will be made publically available on Örebro Municipality's web page.