



# Linköpingsgruppen Green Bonds Framework

September 3rd 2019



*This is a translation of the Swedish version of Linköpingsgruppen'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.*

## 1. Introduction and background

**The Municipality of Linköping** has nearly 160,000 inhabitants and is Sweden's fifth largest municipality. Linköping is a fast growing municipality, where both the municipality and its subsidiaries will continue to invest at a high rate.

The Municipality of Linköping ratifies Agenda 2030 and defines sustainable development in the municipality of Linköping as;

- A socially sustainable Linköping
- An ecologically sustainable Linköping
- An economically sustainable Linköping

For further information regarding the Municipality's sustainability objectives, please see Sustainability Policy for the Municipality of Linköping Group, Environmental Policy for Municipality of Linköping, Climate Adaptation Program and the Chemical Program.

This joint Green Bonds Framework for the Municipality of Linköping Group, i.e. the Municipality and its majority-owned companies, supports the Municipality's goals for sustainable development.

The Municipality has decided that all new borrowing by the Group including by its subsidiaries will have a guarantee from the Municipality of Linköping. This also applies for all green financing.

The so-called “**Linköpingsgruppen**” was established by the Municipality of Linköping, Linköpings Stadshus, Tekniska verken i Linköping, Stångåstaden and Lejonfastigheter in 2017 to increase cooperation and create new financial solutions.

Linköping is a fast growing municipality and the subsidiaries within the Group will continue to invest at a high rate and focus on sustainable investments.

Linköpingsgruppen has introduced a common MTN program where the subsidiaries borrow in their own name with the same terms and with a guarantee from the municipality.

By creating a common Green Bonds Framework, the companies can continue to borrow under the common program, but with a green focus on their investments.

### **Municipality of Linköping**

The Municipality of Linköping conducts operations based on the Constitution, the Swedish Local Government Act, and other laws such as the Planning and Building Act. Examples of activities that the municipality has an obligation to offer are: pre-school and school, upper secondary education, elderly care, care for disabled people,

individual and family care, libraries, planning and construction issues, environmental and health protection, water and sewage, sanitation and waste management, as well as safety and emergency services. In addition to this, the municipality voluntarily offers, among other things, activities within the cultural and leisure sector, as well as activities within business development. The municipality will use green funding to finance "Green project categories" as defined in Chapter 2.

**Linköpings Stadshus AB** (publ) is wholly owned by municipality of Linköping. Municipality of Linköping has chosen to organize certain municipal activities in companies through Linköpings Stadshus and eight daughter companies. One of the companies is Sankt Kors Fastighets AB, which does not have its own financing business, but where Linköpings Stadshus lends to the company.

**Tekniska verken** i Linköping AB (publ), is the parent company in a group that offers goods and services in the production and distribution of electricity, trade in electricity, district heating/ cooling, biogas, bio fertilizer, broadband, water, drain, waste management, lighting and related services.

**AB Stångåstaden** (publ) is the largest housing company in Linköping. The company owns and manages approximately 18,500 apartments, 4,200 of which are student housing and managed by the subsidiary Studentbostäder i Linköping AB. In total, this means that Stångåstaden owns approximately 26 percent of the housing in the municipality.

**Lejonfastigheter AB** (publ) develops and manages public environments. The company's real estate portfolio contains 286 properties with a book value of MSEK 4,114.

For a more detailed description of the members of Linköpingsgruppen, see Appendix 1.

This Green Bonds Framework has been developed in alignment with the Green Bond Principles 2018. It is Linköpingsgruppen's intention to follow the development in the market as the standards in the area develop.

## **2. Use of proceeds – Green Projects**

“Green Projects” are specifically selected projects funded, in whole or in part, by members of Linköpingsgruppen with the purpose of promoting the transition to sustainable development with a low carbon impact.

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

- a) reduce greenhouse gas emissions, which for instance can include investments in low-carbon technologies, energy efficiency and renewable energy,
- b) adapt operations to climate change, including investments in increased resilience,

- c) promote other environmental issues than the climate.

Analysis shall be made of each project to ensure the project does not contravene any other prioritized area. For example, an adaptation measure should not counteract energy efficiency and vice versa.

Linköpingsgruppen's Green Bonds will not finance nuclear power or fossil energy generation projects.

Linköpingsgruppen's Green Bonds can be used to finance new projects and to refinance Green Projects in accordance with this Green Bonds Framework<sup>1</sup>. The split of Green Bond proceeds between new projects and refinancing will be included in Linköpingsgruppen's members' annual Green Bond Investor Report (see section 5).

### **Green Project categories are:**

- **Renewable energy** - wind power, solar power, hydro power<sup>2</sup>, bioenergy<sup>3</sup> and geothermal energy.
- **Energy efficiency** - district heating/cooling, energy recovery, energy storage and smart grids as well as other measures to introduce and promote energy efficient solutions.
- **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.
- **Green buildings:**
  1. Commercial and residential buildings that, at the time of approval, at least meet the requirements for Miljöbyggnad silver, Svanen, BREEAM very good or LEED gold or have an energy use that at least meets the requirements for the level silver for energy use (indicator 3) in Miljöbyggnad.
  2. Major renovations leading at least to compliance with Miljöbyggnad silver or that lead to a reduction in energy use per year on a m<sup>2</sup> Atemp basis of at least 30%.

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

2) Hydro power is defined as a) new investments, refurbishment and maintenance of small scale hydro power plants (up to 20 megawatts (MW) of generating capacity and b) refurbishment and maintenance of large scale hydro without any increase in the size of its impoundment. Hydro power facilities are located within the Nordic countries and meet all applicable laws and regulations.

3) Bioenergy is primarily sourced from Sweden and Europe and include wood fuels, energy crops or other biogenic materials from forest and agriculture. It can also be waste from industry, waste wood, waste management or the like. To a limited extent, bio-oil from other geographical areas may also occur, primarily from North America.

- **Waste management** - waste prevention, waste minimisation, recycling, re-use and other resource efficiency improvements as well as rehabilitation of contaminated land and leachate management.
- **Water and waste water management.**
- **Climate adaptation measures** in buildings, infrastructure and sensitive habitats.
- **Environmental measures** in other fields than climate mitigation and climate adaptation, for example:
  - Nature conservation
  - Biodiversity
  - Sustainable agriculture
  - Development of non-toxic environments
  - Improved eco-system services.

### **3. Process for project evaluation and selection**

The members of Linköpingsgruppen are individually responsible for ensuring that approved green projects meet the requirements of this framework. The members have their own decision-making processes to evaluate potential green projects based on the member's organizational structure and working methods. The decision making unit within each member of Linköpingsgruppen includes environmental and financial representatives who are responsible for evaluating and approving projects that meet the green criteria according to this framework.

Only projects with a high likelihood of having positive, long-term environmental effects will be approved. The decision making unit for each respective member in Linköpingsgruppen is responsible for documenting the decisions.

### **4. Management of proceeds**

The use of proceeds from Green Bonds shall be credited to a separate account within each issuing member of Linköpingsgruppen with the purpose of financing approved Green Projects (according to the definition in section 2 above).

As long as green bonds are outstanding and proceeds from an issuance is available on a separate account, the member of Linköpingsgruppen shall, at the end of every fiscal quarter, deduct funds from its separate account in an amount equal to disbursements for the financing of Green Projects made during such quarter.

Until disbursement to Green Projects, the separate account balance will be managed according to the respective Finance policy for members of Linköpingsgruppen.

If, for any reason, an approved Green Project no longer meets the eligibility criteria,

it will be removed from the pool of projects financed with proceeds from Green Bonds issued by members of Linköpingsgruppen.

## 5. Reporting

To enable investors and other stakeholders to follow the development of Linköpingsgruppen's Green Projects and to get insight into prioritised areas, each member of Linköpingsgruppen will provide an annual Green Bond Investor Report including:

1. A list of approved Green Projects including:
  - a) total amounts allocated and disbursed
  - b) a description of all projects and their main environmental benefits
2. Information about the split of Green Bond proceeds between the financing of new projects and re-financing.

Linköpingsgruppen recognises the importance of transparency and impact reporting and will include information in their Green Bond Investor Reports about the Green Projects' environmental impacts such as the amount of installed renewable energy production capacity, energy efficiency gains expected/achieved, certifications and expected/actual energy use per green building as well as estimated saved/avoided greenhouse gas emissions when relevant and possible.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Green Bond Investor Report will be reviewed annually by the external auditor of each member of Linköpingsgruppen. The Green Bond Investor Report and the opinion of the external auditor will be made publically available on the web page of Linköpingsgruppen.

Linköpingsgruppen will have its Green Bonds Framework reviewed by the Centre for International Climate Research (CICERO) who will issue a Second Party Opinion on each of the members of Linköpingsgruppen. The Second Party Opinion and the Green Bonds Framework will be made publically available on the web page of each of the members of Linköpingsgruppen.

## Appendix 1

For a description of Linköpingsgruppen, see section 1 above. Here follows a more detailed description of the Municipality of Linköping and the companies in Linköpingsgruppen:

### **Municipality of Linköping**

Linköping is Sweden's fifth largest municipality with 160,000 inhabitants, and is known for its high-tech companies, its university, and scalable trade. The city of Linköping closely co-operates with the university and the business community. The municipality also co-operates with the Municipality of Norrköping, amongst other neighboring municipalities, to promote growth and development. Linköping focuses on the environment, e.g. by producing biogas. Linköping is Sweden's air-craft capital, with the country's sole air-craft production located in the municipality with world class research within this field. The university has been important to the municipality's success, and is known for its way of working and the way it develops education and research. Mjärdevi Science Park is located close to the university, with approximately 260 tech companies which together employ 5,700 people.

**Linköpings Stadshus AB** (publ), organization number 556706-9793, is owned to 100% by the municipality of Linköping. The municipality has chosen to organize some of the municipal businesses in statutes ("aktiebolagsform"). The parent company is Linköpings Stadshus AB and the wholly owned subsidiaries are Tekniska Verken i Linköping AB (publ), AB Stångåstaden (publ), Lejonfastigheter AB (publ), Sankt Kors Fastighets AB, Visit Linköping & Co AB, Science Park Mjärdevi AB, Resecentrum Mark o Exploatering i Linköping AB and Linköping City Airport AB.

Linköpings Stadshus is a parent company without its own operations but acts as internal bank for companies without its own financial management. Linköpings Stadshus plans to issue green bonds for on-lending to the subsidiary **Sankt Kors Fastighets AB**, which constructs properties classified as green projects. The investment process, administrative procedures and reporting are handled by Sankt Kors. **Sankt Kors Fastighets AB**, organization number 556026-4342, is a company with the mission to foster and support the development and growth in Linköping. Sankt Kors do this through providing creative business environments for new companies and for companies in transformation. Vreta Kluster AB is a subsidiary to Sankt Kors which operates the business for the development of the green industries. Through Dukaten Parkering Sankt Kors contribute to making Linköping available, navigable and safe. In total the business area make up for 55 000 square meters and the number of parking lots are approximately 7 000. Net sales during 2018 were 178 million SEK with earnings after financial net of 165 million SEK.

The company vision is "We create brave surroundings where growth flows". Sankt Kors anticipates future needs and dare to create new arenas for development and growth when other players doubts. I close collaboration with the industry, university and the municipality; the company builds a strong city and region. Sankt Kors is an international role model when it comes to combine expansive community building with sustainability and social responsibility. During the next 5 years period Sankt Kors plans to invest 2-3 billion SEK, above all in;

- Ebbepark, an area that develops as tomorrow's sustainable district. A dynamic growth environment for business ideas, innovations, business residents, service and all other things for everyday life. This is a development that is made in cooperation with Stångåstaden.
- Cavok District, in connection to the Linköping City Airport a new growth arena project is developed for flight-related activities and an innovation environment for companies in advanced materials.

**Tekniska verken i Linköping AB** (publ), organization number 556004-9727, is the parent in a group that offer products and services in the sector of production and distribution of electricity, trading of electricity, district heating, district cooling, biogas, broadband, water, sewers and waste handling, lighting and connected services to that. The group has in total 240 000 customers. During 2018 the sales amounted to 5 314 million SEK with earnings after financial net of 833 million SEK.

The group's different businesses are in several cases an important part in the regional public benefit and constitute infrastructure for the population in the county. The mission of Tekniska verken group is to offer products and services to attractive prices, with high level of achieving delivery while considering environmental and climate aspects. Their mission is therefore focused, but not limited, to offer and develop electricity conducted infrastructure and energy solutions for the resource efficient county.

The vision of the company is "We shall build the most resource efficient region in the world". The vision is to be seen as a collected expression for the realization of the owners' directives that have been communicated to the company.

Tekniska verken i Linköping AB strive a high level of professionalism when interacting towards their customers, suppliers, owners and other stakeholders. The group's marketing strategy aim to be able to offer their customers an interesting and relevant offer to each business situation. The business of the group is characterized of a high level of transparency in order to meet the group's core values – Driving – Positive – Credible.

**AB Stångåstaden** (publ), organization number 556706-9793 is the largest housing company in Linköping. The company owns manage around 18 500 apartments, 4 200 of them is student housing and is administrated by its subsidiary Studentbostäder i Linköping AB. In total, this means that Stångåstaden owns approximately 26% of the residents in the municipality. Turnover during 2018 was 1 452 million SEK and result after financial net was 204 million SEK.

The business idea is to offer a varied and attractive supply of residents in different prices ranges, where a large option to choose from and a good service contribute to long lasting business relationships. The company develops real estate and city districts in general in an attractive and sustainable way to grow and develop the city of Linköping.

The vision of Stångåstaden AB is called "One step ahead" which constitutes the company strategic direction and what the company strives toward. In the future the company see themselves a driving actor in a growing city. Through focus on

customers, coworkers and contributing to sustainable future the company create the right prerequisites for development and innovation, one step ahead. Everything that is done in Stångåstaden is based in a long-term social, environmental and economic accountability. The sustainability work is the foundation to be able to create growth that benefits customers and contribute to social development.

Aside from the business goals, the company has also stated clear sustainability goals. One of these goals is to decrease the total energy consumption with 25% until 2025. This means that Stångåstaden has the goal to decrease the amount of energy bought per square meters – in forms of electricity, warmth and district cooling – with 25 % from 2011 until 2025. Another goal is to set social demand on entrepreneurs. To develop and expand property stock in a sustainable way is a third goal. The list of sustainable goals that Stångåstaden works to implement is long.

**Lejonfastigheter AB** (publ), organization number 556477-7851 develops and manage public environment. The property stock contains 286 properties with a book value of 4 114 million SEK. Turnover was 752 million SEK and earnings after financial net were 72 million SEK for 2018. In total, an investment volume of almost 2 400 million SEK has been accepted in Lejonfastigheter (2019-2021). The business idea is that Lejonfastigheter together shall actively own, develop and let out premises and properties for public business.

The company vision states that they will build the good society through creating the best public surroundings in Sweden. Lejonfastigheter has a sustainability that describes what sustainability means for the company. Sustainability for Lejonfastigheter is to be a responsible employer, real estate owner, real estate developer and society actor. As a municipal owned company they will act as a role model and strive to work for a long term sustainable development to create value for the city of Linköping and its inhabitants. Lejonfastigheter would like to be a sustainable player, create sustainable businesses and create sustainable real estates.

The sustainability goals of Lejonfastigheter are part of the company's strategic goals. The goals are steered towards minimizing climate emissions through among other things minimizing the use of energy. The company has also goals on non-toxic environment and measures numbers of sustainability audits made at their suppliers to achieve a sustainable supply chain.

**Sankt Kors Fastighets AB**, organization number 556026-4342, is a company with the mission to foster and support the development and growth in Linköping. Sankt Kors do this through providing creative business environments for new companies and for companies in transformation. Vreta Kluster AB is a subsidiary to Sankt Kors which operates the business for the development of the green industries. Through Dukaten Parkering Sankt Kors contribute to making Linköping available, navigable and safe. In total the business area make up for 55 000 square meters and the number of parking lots are approximately 7 000. Net sales during 2018 were 178 million SEK with earnings after financial net of 165 million SEK.

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