

GREEN BOND FRAMEWORK

DESCRIPTION OF THE ISSUER

STOCKHOLMS LÄNS LANDSTING (STOCKHOLM COUNTY COUNCIL)

Stockholm County Council Sweden is responsible for healthcare services, public transport, regional planning and culture for the greater Stockholm area, serving 2.3 million citizens, employing 45 000 people. With a growth of approximately 35 000 inhabitants per year, Stockholm is one of the fastest

growing metropolitan regions in Europe. To meet the needs of the people in the Stockholm region, the County Council is making major investments in digital transformation, new hospital facilities, expanded and more resilient public transport.

SWEDISH GOVERNMENT STRUCTURE

In Sweden, the public sector consists of a three-tier system. Matters such as higher education, the main part of the welfare transfer system, the police and national roads, are undertaken by central government, while public transport and health care are the responsibility of county councils. Childcare, technical services, compulsory education, upper secondary education, elderly care, and certain social services fall under the realm of the municipalities. County councils and municipalities are subordinated (in relation) to central government but are placed on an equal footing.

In accordance with Swedish law the County Council is a legally independent entity, formed to

administer democratic self-government in geographically confined areas and with specific administrative representation. The County Council is a democratically controlled organization and has the power to raise finance through direct taxation. The County Council politicians are elected every four years. The commission of the Stockholm County Council is responsible for health care, public transport, transport services for the disabled, dental care and regional planning. In addition, the County Council supports cultural activities, tourism, regional growth, enterprise and the environment.

ADMINISTRATIVE ORGANISATION AND POLITICAL STRUCTURE

The highest decision-making body within Stockholm County Council is the County Council Assembly with 149 elected members. The task of the Assembly is to make decisions concerning the finances, planning and organisation of the County Council. The County Council Assembly appoints members to the committees and boards that run the various activities within the County Council.

REVENUES AND EXPENSES

The principal activities of the County Council are health care (including dental care) and public transport. The ways in which they are financed differ. While approximately half of the costs for public transport are covered by ticket revenues and pas-

senger fares, patient's fees only cover approximately 2 per cent of health care costs. The remainder is financed by public funds which the County Council generates in the form of the County Council tax and various government grants.

SUSTAINABILITY

The County Council's high set sustainability goals and dedicated processes for implementation are vital for its continuous environmental achievements within health care and public transport. The County Council has reduced its total greenhouse gas emissions by 70¹ percent since 1990, and by more than 40² percent since 2011. Compared with the European Union goal of 20 percent reduction between 1990 and 2020, this is an outstanding achievement. All bus services and rail services are now run on renewable fuel and almost all buildings are run on renewable energy.

The County Council has a strong focus on minimizing the environmental and health impact from hazardous chemicals and pharmaceuticals and has its own phase-out list regarding hazardous chemicals. The demands in procurement are sometimes tougher than legislation. Since 2006 the health care and laboratory service has reduced the volume of hazardous chemicals by over 90 percent.

A sustainability approach to investments and reducing the climate impact in the construction phase is another strong feature that will have great impact on the future development of the region.

Environmental Program

The Environmental Program concerns all activities financed by the County Council and contains 15 environmental goals and a plan for sustainable procurement measured through a total of 24 Indicators. The Environmental Program has been adopted by the County Council Assembly, and is a controlling document with environmental goals for reducing the negative environmental impact from healthcare, transportation, infrastructure and facility management.

The overall goals in the Environmental program are to be achieved by 2021 and are being followed up

and reported to the County Council Assembly every year.

The Environmental Program is divided into five areas:

- Stockholm County Council's plan for sustainable procurement.
- Stockholm County Council's climate commitment.
- Environmental goals for health and medical care. Environmental goals for public transport and other transport activities.
- Environmental goals for the County Council's properties and installations.

During 2017–2021, the Stockholm County Council is taking action to reduce greenhouse gas emissions by increasing the use of renewable energy, rationalizing energy consumption, reducing emissions of nitrous oxide and anesthetic gases, and limiting the climate impact from construction and civil engineering projects. Through environmental requirements and the resource-efficient use of products, the County Council shall also reduce the climate impact from consumption and production. Furthermore, the Council is preparing a climate adaptation plan to outline resilience measures to prepare regional infrastructure for increasing incidents of heat waves and extreme weather.

Green procurement and Code of Conduct

The County Council developed a Code of Conduct for suppliers together with two other large Swedish regions in 2008, which has been applied since 2010 by all regions in Sweden. The County Council's strict environmental requirements and Code of Conduct are implemented in a thorough procurement process to ensure that goods and services procured are manufactured under sustainable and responsible

¹ Stockholm County Council Environmental report 2017, LS 2017-1112

² Stockholm County Council Environmental report 2017, LS 2017-1112

conditions. On a wider scale Stockholm County Council is using public procurement to drive green public product development enabling other actors on the market to purchase more sustainable products and services. An additional goal is to lead a transition to a circular and bio-based economy.

Sustainable development goals

Stockholm County Council contributes to the achievement of regional, national and global sustainability goals. The County Council's activities are indirectly or directly related to all 17 global sustainability goals, while 13 of the goals are particularly

important for the organization.

Through the environmental program goals like Clean water and sanitation, Affordable and clean energy, Sustainable cities and communities, Climate action and Life on land are targeted. The Code of Conduct works towards for example Gender equality, Reduced inequalities, Decent work and economic growth. Through the totality of the Council's work – both internal processes and the public service offered – a focus on sustainability, equal opportunities and reduced inequalities contribute to good health and wellbeing.



OVERALL OBJECTIVES OF STOCKHOLM COUNTY COUNCIL GREEN BONDS

By issuing green bonds, Stockholm County Council's ambition is to support greater achievements in Stockholm County Council's sustainability efforts and to contribute to reaching the global Sustainable Development Goals.

Aligned with its ambitious environmental program, Stockholm County Council has decided to adhere to the Green Bond Principles (GBP) in 2017. These GBP guidelines recommend transparency and disclosure and promote integrity in the develop-

ment of the Green Bond market by clarifying the approach for issuance of a Green Bond. (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>)

As one of the signatories to the Nordic public issuer Position Paper on Green Bonds Impact Reporting, Stockholm County Council commits to assess and report upon the projects selection and their expected non-financial impact in a transparent manner.

METHODOLGY AND SCOPE

The framework of Stockholm County Council identifies eight key project categories. Stockholm County Council is committed to selecting eligible projects in accordance to this framework.

Eligible Projects are selected jointly by the Stockholm County Council Treasury and the Stockholm County Council Sustainability department in a strict process.

Broadly the projects fall in to three fields; Mitigation, Adaptation and Environment and Eco-system.

Mitigation refers to efforts to reduce or prevent emission of greenhouse gases. It could mean using new technologies and renewable energies, making older equipment more energy efficient, or changing management practices or human behavior.

Adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimize the damage caused, or taking advantage of opportunities that may arise.

Environment and eco-system projects supports investments with a positive environmental impact other than the direct mitigation of climate change, for example investments that limit, remove or treat the presence of harmful substances or projects that increase or conserve bio-diversity. Other areas could be waste prevention, improved handling or logistics contributing to a circular economy.

USE OF PROCEEDS – ELIGIBLE PROJECTS

“Eligible Projects” means selected projects, funded in whole or in part, by Stockholm County Council that promotes the transition to a low-carbon and sustainable society as determined by the Stockholm County Council and supported by its environmental program and targets. Eligible Projects include

projects that target climate change mitigation, adaptation or environment and eco-system and fall into one of the eight project categories below. These categories are in accordance with the Nordic public issuer's Position Paper on Green Bonds Impact Reporting.

PROJECT CATEGORIES & EXAMPLES OF ELIGIBLE PROJECTS

Project categories for Stockholm County Council, aligned with the Position paper. The Global goals are included for reference.

Project category	Global Goals	Project examples and ambitions
Renewable energy	7, 13	<ul style="list-style-type: none"> • Wind power generation • Solar power generation • Geothermal energy production • Bio-energy production
Energy efficiency	7, 9, 13	<ul style="list-style-type: none"> • Smart technology aimed at reducing energy consumption
Green buildings	7, 12, 13	<ul style="list-style-type: none"> • New or retrofitted buildings satisfying the issuer's energy and building standard requirements including indicators related to energy performance, human health, indoor environment, light, sound, hazardous substances, materials and renewable energy. <p>a) For new buildings the level of Miljöbyggnad Guld (gold) or equal is required</p> <p>b) For reconstruction and retrofitting Miljöbyggnad Silver is required, and concerning energy performance they should fulfill or surpass Miljöbyggnad Guld (gold) or equal</p>
Clean transportation	7, 11, 13	<ul style="list-style-type: none"> • Non-fossil public transportation systems • Infrastructure for bicycles and pedestrians • Infrastructure for electric vehicles (May include charging stations or other infrastructure for charging electric vehicles) <p>Projects within the metro expansion are executed in accordance with the CEEQUAL system which includes several environmental aspects such as land use, water, transport, bio-diversity, hazardous substances and social issues with a goal set on level Very Good.</p>
Waste management and circular economy	7, 9, 12	<ul style="list-style-type: none"> • Energy efficient and resource-preserving waste treatment • Investments that support biogas production from own organic waste or facilitate distribution or use of biogas in own operations and transports • Investments that support waste management, focusing on prevention, reduction, re-use or recycling of own waste. • Investments that enables circular economy such as tools or systems that re-use and recycle construction materials and support the re-use of County assets for example med-tech equipment and office furniture.
Water & Wastewater management	6, 7, 12	<ul style="list-style-type: none"> • Investments that reduce, remove and treat harmful substances from operations or projects, for example pharmaceuticals, chemicals, micro plastics, or metals that have been linked to negative effects on human health and/or the environment. • Biogas production from wastewater • Water saving equipment and technology
Sustainable land use/ environmental management	3, 6, 12, 14, 15	<ul style="list-style-type: none"> • Increase in or conservation of biodiversity. • Investments that limit, reduce, remove, treat or replace harmful substances in products, assets or projects, for example pharmaceuticals, chemicals, micro plastics, or metals that have been linked to negative effects on human health and/or the environment. • Reforestation/green structures
Adaptation measures	3, 11	<ul style="list-style-type: none"> • Climate change adaptation measures such as green structures, water storage, heat protection structures, sun screens, cooling systems, water quality and flood protection.

PROCESS FOR PROJECT EVALUATION AND SELECTION

The Eligible Projects are selected jointly by the Stockholm County Council Treasury and the Stockholm County Council Sustainability department. They are then approved by a Steering Group for Green Bonds consisting of executive managers from the local bodies. The process strictly follows four formal steps.

1. Stockholm County Council Treasury initiates the screening process and a project group is formed.
2. The project group for green bonds determines the portfolio of green projects to be financed by a potential green bond issuance, within Stockholm County Council local bodies.

3. The Sustainability department evaluates the projects in a screening process to ensure compliance with laws and regulations, policies and guidelines and The Environment Program.
4. The Steering Group for green bonds has final authority in determining the final list of eligible green projects, to be financed by green bonds.

The list of all eligible projects is kept on record by the SLL Treasury department until allocation to a potential new green bond issuance.

MANAGEMENT OF PROCEEDS

The net proceeds of any green bond issued under the Stockholm County Council Green Bond Framework is credited to a dedicated earmarked account (“the Green Account”). A transfer from the Green Account is only allowed in an amount corresponding to the financing of Eligible Projects, or to repay a Green Bond. If a Project no longer qualifies, the funds will be reallocated to other eligible projects.

The Green Account ensures strong monitoring and tracking of the green bond’s use of proceeds. Stockholm County Council Treasury will keep a

record of the purpose of any transfers on the allocation of net proceeds in order not to exceed the market value or investment expenditure, as applicable, of an Eligible Project.

Treasury will be responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects. The allocation of proceeds will be verified by an internal auditor at Stockholm County Council.

REPORTING

To enable investors to track development and provide insight to prioritized areas, Stockholm County Council will publish information on both the allocation of proceeds and the non-financial impact of the Eligible Projects financed on an annual basis. This reporting will cover the allocation of the net proceeds of the green bonds to eligible projects:

- The total amount of proceeds allocated to eligible projects
- The allocated amounts per eligible projects and category
- The amount of unallocated proceeds.

- Stockholm County Council also aim to include the reporting of relevant impact indicators defined in the Nordic public sector Position Paper on Green Bonds Reporting.

The information will be available on Stockholm County Council’s webpage. In addition to the above, Stockholm County Council offers regular onsite visits to investors, where project updates as well as environmental aspects are covered.

Link to the document >>>

EXTERNAL REVIEW

To ensure transparency and accuracy and confirm the alignment of the Green Bonds issued with the Green Bond framework, Stockholm County Council uses different levels of reviews and audits.

1) Internal review

- Internal audits are performed on a regular basis by internal auditors
- The Green Bond Framework is reviewed by a second opinion provider for alignment with the Green Bond Principles

2) External verification

- The results of the Environmental program are presented in an annual environmental report. Every third year, the report is audited by an external certified audit firm.

3) Certification

- Green building projects financed by Green Bonds at Stockholm County Council are submitted for certification by Sweden Green Building Council, an independent third party organisation. Sweden Green Building Council is a member of World Green Building Council and uses a transparent process in which Miljöbyggnad Guld (gold) is the highest level of certification. The process is described at <https://www.sgbc.se/var-verksamhet/miljoebyggnad>
- Projects within FUT (Future expansion of the Metro) are executed in accordance with the CEEQUAL system and may be submitted for CEEQUAL certification where Excellent is the highest level of certification and Pass the lowest level of certification.

