



Green Bond Framework

October 2022



Background and Rationale

Linköpings Kommun, Linköpings Stadshus AB (publ), Tekniska verken i Linköping AB (publ), AB Stångåstaden publ) and Lejonfastigheter AB (publ) have formed the, so-called, "Linköpingsgruppen" to increase collaboration and create new financial solutions. In 2019, the group developed a joint Green Framework, which enables the members of the group to borrow under a joint bond program (MTN program) with a green project and investment focus.

Green proceeds are hand-picked projects that aim to promote the transition to sustainable development with low climate impact. According to the Linköping Group's framework, the project must have one of the following purposes in order to be selected as a green project, (1) reduce emissions of greenhouse gases, which can, for example, include investments in low-carbon technology, (2) energy efficiency and renewable energy, and (3) adapt operations to climate change, including investments in increased resistance (resilience) or promote environmental issues other than the climate.

With near 166,000 residents, Linköping municipality is Sweden's fifth largest municipality, and continues to grow as the municipality and the municipality's companies continues to invest in the community at a rapid pace.

Local efforts lay the foundation of the municipal's sustainability work, both in achieving ecologically, economically, and socially sustainable developments according to the set municipal sustainability policy and in meeting the UN sustainable development goals. The aspects of sustainability are all equally important, complementary and co-dependent as protecting the environment and respecting human rights go hand in hand. A reduced climate impact, healthy ecosystems and biological diversity are, for example, a prerequisite for fulfilling several human rights such as the right to life, good health and clean water.

Strengthening people's rights and living conditions on various levels provides individuals with increased opportunities to develop and participate in society based on capacity and to actively contribute to a better environment and climate. A sustainable economy can promote and enable positive development in both ecological and social sustainability.

Our Green Bond Framework provides an opportunity for investors to learn about our ambition to drive a positive transformation within Linköping and support us in this journey.

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Introduction

Linköping Municipality's Sustainability Work

Linköping Municipality has high ambitions for sustainable development and has since long worked actively on initiatives linked to the social, ecological and economic dimensions of sustainable development. The starting point for Linköping municipality's sustainability work is contributing through local efforts both to the sustainable development in the municipality and to achieving the UN SDGs. In 2018, the Linköping Group of Municipalities adopted a sustainability policy, Agenda 2030 and the UN Sustainability Development goals. Simultaneously, the meaning of the three dimensions for Linköping municipality were defined:

- A **socially sustainable Linköping** means an equal society where people live a good life with good health, without unfair differences, are involved in the development of society and trust each other and the different parts of society.
- An **ecologically sustainable Linköping** means a resource-efficient society with minimised use of harmful chemicals, with maintained and developed viable ecosystems and recreational environments for citizens, and with good capacity to prevent and manage climate and environmental challenges.
- An **economically sustainable Linköping** means a society where economic resources are used to promote ecological and social sustainability, where the business climate is good and where the economic well-being of residents is promoted, by means such as good opportunities for education, housing and employment.

Linköping municipality is in good progress with regards to meeting the UN SDGs and extensive work is underway, both in committees/administrations and in companies targeting social, ecological and economic sustainability. The Agenda 2030 indicators used to compare Linköping with other municipalities illustrates strong development with regards to most indicators. The strongest indicators are health and well-being, education, combating climate change and employment. However, areas where the municipality compares less favorably include long-term financial assistance and security.

The municipality has a strong focus on social sustainability, notably reducing and counteracting the negative effects of socio-economic segregation and increasing safety. Within ecological sustainability, a large focus lies on involving the business community and citizens in developing the action plan to meet the recently adopted Climate and Energy Programme goals for Linköping Municipality. The programme complements the existing goal of becoming a carbon-neutral municipality by 2025 and the municipality's recently revised Waste Plan, with focus on circularity, and is thus, yet another important matter for future development.

Linköpings Stadshus AB (publ)

Linköpings Stadshus AB is wholly owned by the municipality of Linköping. Municipal activities have been organized in companies by the municipality through Linköpings Stadshus and eight subsidiaries. Of these eight subsidiaries, Linköpings Stadshus lends to one subsidiary, Sankt Kors Fastighets AB, as the subsidiary operates without own financing business.

Sankt Kors Fastigheter AB

Sankt Kors is a wholly owned subsidiary of Linköping Stadshus that acts as an internal bank for Sankt Kors for their investments and financing. Sankt Kors mission is to create conditions for development and growth in the community with a focus on Linköping, primarily, by providing creative business environments for new businesses and businesses in transition. To be sustainable in the long term, we always include environmental, social and economic aspects in operations. Using the UN SDGs, sustainability work permeates into every decision we make in our daily lives.

Sankt Kors' Sustainability work

An example of Sankt Kors' sustainability work is the test initiative, redeveloping an older industrial area in the center of Linköping, Ebbepark, together with Stångåstaden and Lejonfastigheter. The goal is to develop the area into a sustainable zone for growth and well-being combining environments for entrepreneurship, research and innovation with residents and the social life of the city. Sustainability runs like a green thread through the entire project. As a result of the collaboration, the three real estate companies have adopted a joint sustainability programme including recycling strategies, smart energy solutions, stormwater management, urban farming, electric car charging stations and more. The many solutions create a unique entirety. Speeding up the transition to a sustainable society, researchers, entrepreneurs and start-ups are offered the opportunity to test new sustainable solutions thanks to the Ebbepark initiative.

Tekniska verken i Linköping (publ)

Tekniska verken, is the parent company in a group that offers goods and services in the areas of electricity grid and trading, waste, biogas, efficient energy solutions, water and drainage, district heating, district cooling, broadband, lightning and charging solutions.

Tekniska verken's Sustainability work

We work with sustainable development and smart solutions, in a way that minimizes our environmental impact and makes life easier for our customers. Together with our customers and suppliers, we take responsibility to ensure that resources are used both sustainably and circularly. We develop and offer smart energy solutions and make the digital society possible. By constantly improving, rationalizing and extending the life cycle of products, we look after our resources. Our vision is to be the world's most resource-efficient region. Our long-term ambition is to be fossil-free by 2045, at the latest.

The UN SDGs serve as one of our key guiding principles in our strategic sustainability work. Since 2020, Tekniska verken is a member of the UN Global Compact, the world's largest sustainability initiative. This means that we responsibly and actively contribute to the UN SDGs and work according to their ten principles on human rights, labor rights, the environment and anti-corruption.

In 2022, we decided four strategic areas for our work:

- reduce our emissions of greenhouse gases (for example a study for carbon dioxide capture and storage/use of carbon dioxide, CCS/CCU)
- become more circular (building a facility to sort out plastic, cardboard and metal from household waste to increase material recycling)
- deliver the right energy and electricity at the right time, in the right place and in the right form (construction of an accumulator tank, a thermal storage for district heating)
- develop services and products that are driven by data (several activities to meet our customers' demands within digitization).

AB Stångåstaden (publ)

Stångåstaden is the largest housing company in Linköping owning and managing 17,880 apartments, of which 4,130 are student housing units managed by the subsidiary Studentbostäder i Linköping AB. In total, Stångåstaden owns approximately 25% of the housing in Linköping municipality. Our subsidiary Kulturfastigheter i Linköping AB holds ca thirty buildings of unique cultural and historical character and we hold approx 400 premises in our property portfolio. In accordance with our ownership directive, we work to ensure that Linköping is perceived as an attractive municipality to live and conduct business in by contributing to the availability of good, healthy and affordable housing and commercial premises in the municipality's major residential areas and urban areas. Our owners further highlight safety and social sustainability, environmental impact and carbon neutrality, as well as housing development and business viability as fundamental pillars of the mission.

Stångåstaden's Sustainability work

We work actively with sustainability issues within Stångåstaden, both in terms of environmental and social and economic sustainability. The basis for our work is our sustainability policy, which has been adopted by our Board of Directors. Our vision "One step ahead - for a sustainable future" describes the progress we aim to make in our sustainability work by 2025 and we believe that a sustainable society is based on a holistic approach in which economic, social and environmental aspects are interdependent and decisive for the outcome. Stångåstaden lives by the principle that we have a major responsibility for the development of a sustainable society. All of our employees play an important role in our sustainability work and sustainability is one of Stångåstaden's five strategic target areas. In our business plan, strategies and targets are set for each strategic target area. These are then incorporated into each department's business plan to be followed up on a quarterly basis. The results are reported annually in our Sustainability Report.

Lejonfastigheter AB (publ)

Community properties are our speciality. Lejonfastigheter owns, manages and develops community properties where tens of thousands of Linköping residents visit and work every day. We are owned by the Linköping municipality. Our mission focuses on properties for schools, care facilities, sports, culture and other forms of community service buildings. In total, we own almost 250 properties, which include some 1,000 buildings, all creating value for local council operations and residents in and around the city of Linköping.

As business requirements change, so do our properties, introducing new solutions from other property owners and ensuring that new properties are always being built. In this way, we can develop the municipality of Linköping itself and keep building room for everyone as our community grows. Our properties are at the heart of our mission, but more important are the people who spend time in them, day in and day out.

Our superpower: Properties that contribute to societal benefit. Lejonfastigheter has all the specialist skills required to secure the long-term supply of sustainable and suitable properties – from strategic work with local supply plans to adaptations of existing and production of new properties. Our important social mission engages all of our almost 100 company employees and is incorporated in our corporate culture. With responsiveness, innovative thinking and a long-term perspective, we work to achieve our vision: to contribute to an attractive community where people can thrive and develop - for life.

Lejonfastigheter's sustainability work

It is clear to us at Lejonfastigheter that we should contribute to the development of a sustainable society. Sustainability issues are built into our work processes. This means that we will analyse and take responsibility for business opportunities and risks throughout our entire value chain – from climate and the environment to business ethics, anti-corruption, human rights and diversity. Lejonfastigheter's sustainability work is governed by our sustainability policy, our business plan and its goals. In 2021 we developed a climate and energy strategy that now guides our work towards our longer-term 2030 goals. Lejonfastigheter's new energy goal includes a reduced energy consumption of 38 per cent per square metre, when comparing 2030 to 2015 as base year. In 2021, we set a new climate target for Lejonfastigheter. The goal is to reduce the climate impact in our entire value chain (scope 1, 2, 3) by 40 per cent by 2030, when compared to 2019.

In Lejonfastigheters work to reduce the impact on climate, we have since 2021, amongst other thing carried out the following activities:

- Created a recycling hub for reuse of building materials from our own buildings
- Created 13 solar cell plants witch are calculated to have the capacity to produce 530 MWh/year
- Since 2015, Lejonfastigheter has improved its buildings' energy performance by 20 per cent
- Since 2019, all new construction is certified at the Swedish Green Building Council's Silver level.

The results of Lejonfastigheter's sustainability work are reported annually in a sustainability report, available on the company's website. We are responsible for Linköping's most important buildings, and it is a responsibility we are glad to take on.



The Green Bond Framework

This Green Bond Framework has been developed in accordance with the four core components of the 2021 ICMA Green Bond Principles (GBP), the recommended External Review component as described below and broadly to the substantial contribution part of the technical screening criteria of the EU Taxonomy as of December 2021. It is Linköpingsgruppen's intention to follow the best practices, in relation to Green Bonds as the market standards develop including the Standard for European Green Bonds. Therefore, this Green Bond Framework may be amended to reflect changes in market practice. This Framework is an update of the joint Framework that was developed in 2019, which enables the members (Linköpings Stadshus, Sankt Kors, Tekniska verken, Stångåstaden and Lejonfastigheter) of the group to borrow under a joint bond program (MTN program) with a green project and investment focus.

Use of Proceeds

Process for Project Evaluation and Selection

Management of Proceeds

Reporting

External Review



Use of proceeds

“Green Projects” are specifically selected projects funded, in whole or in part, by members of Linköpingsgruppen with the purpose of enabling sustainable development and the transition to a low carbon society. The proceeds raised based on this Green Bond Framework can be applied towards financing and refinancing after approval from the Green Finance Committee. Financing is defined as Green Projects that are planned, ongoing, or have been finalised up to one year before the approval by the Green Finance Committee. If the Eligible Green Assets approved by the Green Finance Committee were finalised and taken into operation more than one year and maximum 5 years before the green bond is issued, they are defined, monitored and reported as refinancing. The split of Green Bond proceeds between new projects and refinancing will be included in Linköpingsgruppen's annual Green Bond Investor Report. The legal documentation for each green bond shall refer to this Green Bond Framework. To be selected as a Green Project, the project shall positively contribute to one of the Environmental Objectives defined in the EU Taxonomy:

Climate change mitigation

Climate change adaptation

The sustainable use and protection of water and marine resources

The transition to a circular economy

Pollution prevention and control

The protection and restoration of biodiversity and ecosystems

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. Each issuer within the Group will also make sure Green Projects are in line with the issuers sustainability policy that correspond to the long-term vision of an environmentally, and on a best effort basis social, sustainable society.

Green Project Categories United Nation Sustainable Development Goal: 6.1, 6.2, 6.3, 6.4, 6.A, 6.B, 7.3, 7.A, 7.2, 7.3, 9.1, 9.4, 11.2, 11.5, 11.6, 11.C, 12.4, 12.5, 13.1, 14.4, 14.6 and 15.7	
Renewable energy Financing of wind power, solar power, hydro power ¹ , bioenergy ² , and geothermal energy ³ .	Climate change mitigation
Energy efficiency Financing of district heating/cooling, energy recovery, energy storage and smart grids as well as other measures to introduce and promote energy efficient solutions.	Climate change mitigation
Pollution prevention and control Financing of waste management, including but not limited recycling, waste prevention, waste minimisation, recycling, re-use and other resource efficiency improvements such as reduction of air emissions and rehabilitation of contaminated land and leachate management and Carbon Capture and Storage technology/Utilization (CCS/CCU).	Climate change mitigation Pollution prevention and control
Clean transportation Financing of fossil free public transportation, pedestrian and bicycle paths, hydrogen, biogas and electrical vehicles and logistics solutions and supportive infrastructure leading to reduced climate footprints from transportation of people and goods.	Climate change mitigation
Sustainable water and wastewater management Financing of management of water and wastewater including, but not limited to water supply and wastewater collection, treatment and supply systems, improved water efficiency through reduced leakage, plants, water purification, water saving, water conservation and re-use of water.	The sustainable use and protection of water and marine resources
Climate adaptation Financing of efforts to make buildings, infrastructure and sensitive habitats more resilient to impacts of climate change.	Climate change adaptation
Circular economy Financing of resource efficiency and the transition towards a less fossil dependent society, for instance replacing fossil-based plastics with bioplastics and recycled plastic waste.	Climate change mitigation Transition to a circular economy

¹ defined as a facility that comply with one of the following criteria, the facility is a run-of-river plant and does not have an artificial reservoir, the power density of the facility is above 5W/m² or the life-cycle GHG emissions are lower than 100 gCO₂e/kWh.

² defined as energy crops, biofuels or waste from forest and agriculture, food waste including but not limited from household or industries. For the avoidance, all input will be fossil free.

³ Where life-cycle emissions are lower than 100 gCO₂e/kWh.

<p>Green buildings</p> <p>Financing of commercial and residential buildings shall meet, at the time of approval, the following requirements:</p> <ul style="list-style-type: none"> - Primary Energy Demand (PED) is, or will be, at least 10% lower than the threshold for nearly zero-energy buildings (NZEB) requirements in national measures and have one of the following environmental certification: - Miljöbyggnad silver - Svanen - BREEAM very good - LEED gold - Or have an energy use that at least meets the requirements for the level silver for energy use (indicator 3) in Miljöbyggnad. <p>Financing of major renovations leading at least to compliance with Miljöbyggnad silver or that lead to a reduction in the Primary Energy Demand (PED) of at least 30%.</p>	<p>Climate change mitigation</p>
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Exclusions

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

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 organisational 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. The responsibilities of the members are among other things, to evaluate the compliance of the proposed Green Projects with the eligibility criteria outlined in the Use of Proceeds section of this framework as well as each issuer's sustainability policy that correspond to the long-term vision of an environmentally, and on a best effort basis social, sustainable society.

Only projects with a high likelihood of having positive, long-term environmental effects will be approved. Even if a project meets the criteria of this Green Bond Framework, this decision-making unit will, on a best effort basis, not approve projects where there is a high risk of causing significant harm to environmental and social objectives. The decision-making unit for each respective member in Linköpingsgruppen is responsible for documenting the decisions.

Management of proceeds

An amount equal to the proceeds of any Green Bonds raised under this Framework will be entered in a separate register kept for the pool of Green Projects in each company.

This register will be continuously monitored and updated based on the outstanding financing need for the pool of Green Projects, the accrued costs in these and the outstanding Green Bonds. This will be reported in more detail in the annual report to the investors.

The decision-making unit within each member of Linköping Gruppen is responsible for the allocation of proceeds. If, for any reason, a Green Project ceases to comply with the requirements set out in this Framework, such projects will be removed from the separate register. Proceeds yet to be allocated towards Green Projects will be placed in the general liquidity reserves and managed as such.

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:

Allocation Reporting

A list of approved Green Projects including:

- total amounts allocated and disbursed
- a description of all projects and their main environmental benefits
- information about the split of Green Bond proceeds between the financing of new projects and re-financing.

Impact Reporting

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.

External Review

Second party opinion (pre-issuance)

To secure alignment with national and international guidelines, in accordance with the Guidelines developed by the Green Bond Principles, each issuer's has engaged Cicero Shades of Green to act as an independent external verifier of this Green Financing Framework.

Third-Party Review (post-issuance)

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.

Publicly Available Documents

The Green Bond Framework, the second party opinion and the Green Bond Investor Report will be made publicly available on Linköpingsgruppen's webpage.