



# Green Bond Framework

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**ÖSTERSUNDS  
KOMMUN**  
STAAREN TJIELTE



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## Östersund at glance

Östersund municipality (“Östersund” or “the Municipality”) has a population of just under 65,000 citizens and is located at Sweden’s fifth largest lake, Lake Storsjön, in the middle of Jämtland. Östersund has a large number of small and medium-sized businesses in the manufacturing, knowledge, service and tourism industries. The Municipality is the *largest employer* in Östersund and employs approximately 5500. The population is growing and more people are moving to Östersund municipality, the local economy is strong and Östersund is now building the welfare infrastructure for a municipality of 75,000 inhabitants.

Swedish municipalities enjoy extensive fiscal autonomy and can issue bonds to fund the delivery of public services. Östersund municipality is responsible by law for providing vital services such as healthcare, schooling and social care. Other mandatory responsibilities include libraries, planning and building issues, health and environmental protection, waste, water and wastewater management, energy supply, public transport and emergency services. The Municipality also provide voluntary services that are of value to society, such as cultural and recreational activities, public housing, park maintenance and other technical services.

Östersund aims to lead the way to a sustainable future, with the goal to become fossil-free in the municipal organization by the year 2025 and fossil-free and energy-efficient in the geographical by 2030. In addition, Green financing is key in realising the Municipality’s vision and goal. Östersund issued its inaugural green bond in 2017 and have since then become a frequent municipal issuer in the Swedish Green Bond market.

## ESG - natural part of Östersund's operations

Östersund wants to be a frontrunner towards a sustainable society and has integrated sustainability in its operations and organisation as a whole, through its climate program and ambitious targets. The Municipality's vision is to have a *democratically, socially, ecologically and economically sustainable Östersund*.

## E - Environmental responsibility

The *climate strategy & climate program* describes how Östersund will become fossil-free and energy-efficient in its operations by 2025, climate neutral by 2030 and climate positive by 2040 in the geographical area of Östersund. To help reach these goals, Östersund has set ambitious targets:

- By 2030, become fossil free in the geographical area of Östersund
- By 2025, become fossil free in own operations
- By 2030, reduce energy consumption by 30% in own operations and in the geographical area of Östersund
- Reduce greenhouse gas (GHG) emissions by 60% between 1990-2020
- By 2030, the split between means of transportation in Östersund's urban area will be 40% car, 20% public transport and 40% active transport, cycling and walking
- Aim to become a climate-neutral municipality (i.e. this is one of the four main strategies of the municipality general plan ("Östersund 2040" plan). According to the plan, Östersund aim to take a leading role in reducing GHG emissions
- Contribute to the 17 UN Sustainable Development Goals ("SDGs") and Agenda 2030. Emissions have an impact on the possibility of achieving all the goals

The climate strategy also describes 9 strategic development areas - broken down into 74 climate actions - which aims to be implemented by 2023 to help Östersund reduce emissions from fossil fuels and energy use.

### The strategic development areas are:

- Design Östersund's operations around effective climate work
- Create sustainable & energy-efficient travel & transport
- Increase share of renewable energy production
- Increase energy efficiency
- Use fossil-free & energy-efficient work equipment
- Make Östersund conscious & sustainable – to experience & live in
- Climate-smart planning & investments in sustainable construction
- Increase fossil-free capital investments & green bonds
- Develop Östersund into a climate-neutral municipality

In addition to the the climate program and climate strategy, Östersund, has a goal that all owned properties will, where possible, have *solar cells* on the roofs by 2030.

Furthermore, Östersund is a member of *Viable Cities* which is an initiative focused on the transition to climate-neutral and sustainable cities. The mission is to become *climate neutral by 2030 with a good life for all within planetary boundaries*. Östersund s also member of *Klimatkommunerna*, an association for cities and regions that are frontrunners in the transition towards a fossil-free future..



Östersund offers support and guidance to companies and organisations that are looking to apply to the Climate Leap initiative (Sw. Klimatklivet) for initiatives to help reduce society's impact on the climate e.g. reduce GHG emissions Also, every year the Municipality arranges a climate seminar to inspire with good examples and ideas on how to reduce the environmental impact. Östersund also hands out an *environmental award* to companies, private individuals, organisations or others to encourage efforts that contribute to a sustainable development.



In addition, Östersund focus on solutions to help encourage *sustainable transportation* by encouraging citizens choose more environmentally friendly options when travelling. The Municipality also offers *energy advice* free of charge, e.g. on how to reduce energy consumption, lower energy costs and what to consider when renovating or building new. Since 2012, Östersund is a certified *Fairtrade City*.

Additional environmental initiatives during 2021-2022 include:

- Introduced “Resvis” – an app for sustainable travel
- Engaged children and young people in building a recycling park
- Launched several recycling projects such as digital storage for recycling of furnitures and utilies, reusing of granulats instead of artificial grass on football fields and started a process for a digital recycling system for building material starting up in spring 2023 (Loopfront)
- Promoted biodiversity in the Municipality’s green spaces
- Constructed a new pedestrian and cycle bridge that connects neighbourhoods
- Inventoried trees in Östersund to keep track of their health & introduced a model to preserve them
- In 2021, Jämtkraft invested in a battery storage facility at the hydropower plant in Granbo. It was a success and plans are now being made for a new battery storage facility in Hissmofors with 15 times greater capacity. Jämtkraft is also at the forefront when it comes to develop a method to store electricity from wind and sun
- Converted oil boiler to heat pump, installed solar cells on municipal buildings and installed ~50 charging points for electric vehicles
- Changed the car fleet from fossil-fuels to electric or biogas, 85 % of the car fleet is now running on biogas or electricity
- Launched a project on shared mobility for rural areas in Östersund





## S - Social responsibility

The Municipality works with social aspects in many different ways and some of the initiatives during 2022 included:

- *Care and help*: Introduced permanent care contact for citizens with home care. Launched “Säkra steg” – a digital exercise program for the elderly
- *Education*: Launched activities for Ukrainian refugees and strengthened preschools' work with equal treatment and norm creativity through an education initiative
- *Sustainable growth, where everyone feels involved*: Involved residents to make Östersund's various venues and facilities more accessible to all, and organised an election school for first-time voters and others
- *Good conditions for a meaningful active life*: Gave Jemtland Innebandy access to Torvalla Sports Hall free of charge, to host a floorball camp during the summer. A workshop in skate design was also held



## G - Governance & reporting

Östersund has several policies in relation to sustainability. The Municipality's *environmental policy* sets out the direction of Östersund's environmental work. Besides the environmental policy, Östersund has several other policies including a *Climate strategy*, *Climate program*, and a *plan for Östersund 2040* that covers the Municipality's vision and direction on how land, water and the environment should be used and preserved. Other important policies include a *work environment policy*, *diversity policy*, and a *procurement policy*. Since 2007, Östersund uses an *environmental management system* for the entire organisation, in accordance with *ISO 14001/EMAs* as well as prepares an *environmental report* on an annual basis.

### The United Nations Sustainable Development Goals

In 2015, the UN adopted the 2030 Agenda for Sustainable Development aiming to protect the planet, eradicate poverty and generate good welfare for everyone by 2030. Östersund contributes to the achievement of all of the 17 Sustainable Development Goals (“SDGs”).



## The Green Bond Framework

### Update of the Green Bond Framework

In November 2017, Östersund established a *Green Bond Framework* (“The Framework”) that focused on projects with distinct environmental benefits. The Framework has now been updated to reflect most recent market trends and best practices. The Framework is aligned with the *Green Bond Principles* (“GBP”)<sup>1</sup> and its four core components: Use of proceeds, Process for project evaluation and selection, Management of proceeds and Reporting. The Framework is applicable for the issuance of green bonds and green commercial papers (referred to as “Green Financing Instruments” hereafter).

Swedbank has acted as advisor to Östersund in the establishment of this Framework. Further, the Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the applicable principles. The Framework and second opinion from CICERO are available on the Municipality’s website; [www.ostersund.se/gronaobligationer](http://www.ostersund.se/gronaobligationer).



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<sup>1</sup> GBP published in June 2021 (with June 2022 Appendix I) are voluntary process guidelines for issuing Green bonds established by International Capital Markets Association (“ICMA”)

## 2. Use of proceeds

### Allocation of net proceeds

An amount equivalent to the net proceeds from Östersund's Green Financing Instruments shall be used to finance or re-finance, eligible projects providing *distinct environmental benefits* ("Green Eligible Projects") and comply with criteria detailed in the below table.

### Financing and re-financing

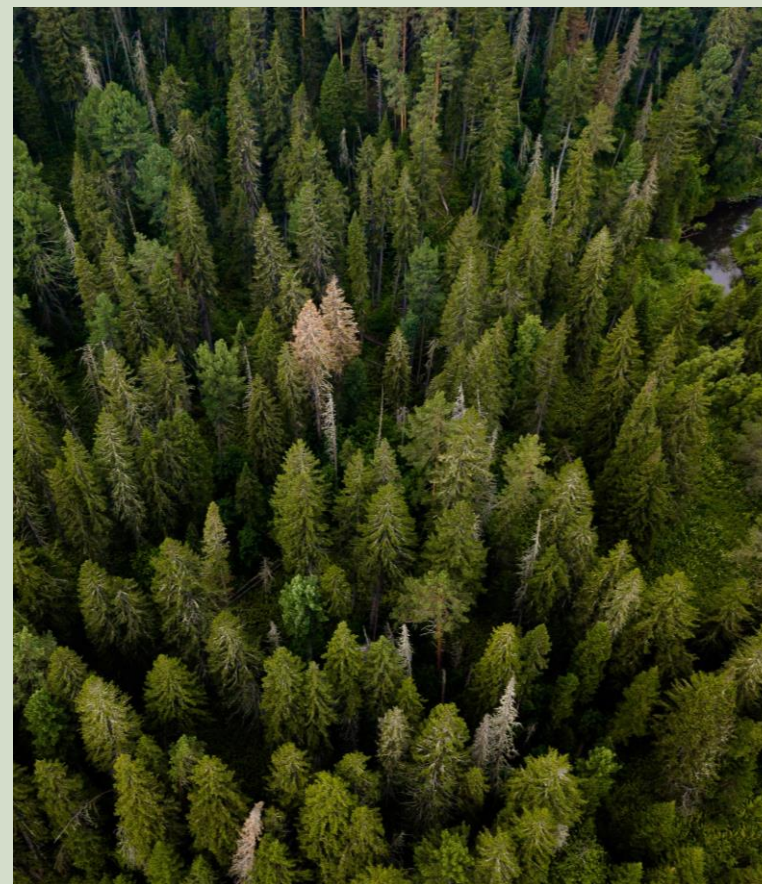
*New financing* is applicable to planned and ongoing Green Projects as well as Green Projects completed within the latest 12 months/reporting year. *Re-financing* is applicable to Green Projects older than 12 months/completed prior to the reporting year.

### Exclusions










The proceeds of Östersund's Green Financing Instruments will not be used to finance either *fossil fuel energy generation, nuclear energy generation, weapons, and defence industries nor potentially environmentally negative resource extraction, gambling, or tobacco.*

### EU Taxonomy

Östersund acknowledges the importance of uniform requirements for activities to qualify as sustainable and strives to align the Green Use of Proceeds of the Framework with the *EU Taxonomy* to the extent possible. This implies that the eligibility criteria of the Green Project categories are based on, where relevant and applicable, the Substantial Contribution criteria for Climate Change Mitigation and the Platform on Sustainable Finance's recommendations for the remaining objectives.





Green Project categories	Sub-categories	Related SDGs	EU Taxonomy environmental objectives
Renewable energy	<ul style="list-style-type: none"> <li>i. Hydropower<sup>2</sup>, wind power and solar power incl. battery storage for electricity</li> <li>ii. Production of hydrogen from electrolysis and biogas, biofuels and bioenergy from agricultural residues, forestry residues, food residues and other biological residues</li> <li>iii. Combined heat and power</li> </ul>		Climate change mitigation
Energy efficiency	District heating/cooling, energy recovery, heat pumps, energy storage and smart grids incl. smart meters, replacement and new installation of LED lighting		Climate change mitigation
Sustainable transportation	Fossil free public transportation, pedestrian and bicycle paths, cycle infrastructure, vehicles driven by hydrogen, biogas and electricity and logistics solutions leading to reduced climate footprints from transportation of people and goods incl. charging infrastructure for electric vehicles		Pollution prevention and control
Green and energy efficient buildings <sup>3</sup>	<p>New buildings</p> <ul style="list-style-type: none"> <li>i. Buildings with a Primary Energy Demand (PED) at least 20% lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures, or</li> <li>ii. Buildings that meet the energy requirements<sup>4</sup> for Nordic Swan Ecolabel, Miljöbyggnad Silver or equivalent level</li> <li>iii. In addition, for buildings larger than 5000 m<sup>2</sup>: <ul style="list-style-type: none"> <li>• upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity, and</li> <li>• the life-cycle Global Warming Potential of the building resulting from the construction has been calculated for each stage in the Life Cycle</li> </ul> </li> </ul> <p>Existing buildings</p> <ul style="list-style-type: none"> <li>i. EPC A, or</li> <li>ii. Buildings that meet the energy requirements for Nordic Swan Ecolabel, Miljöbyggnad Silver or equivalent level</li> </ul> <p>Major renovations</p> <ul style="list-style-type: none"> <li>i. Major renovations and re-construction leading to primary energy savings of at least 30%</li> </ul>	 	Climate change mitigation
Waste management	Recycling and re-use, rehabilitation of contaminated land and leachate management		Pollution prevention and control
Water and wastewater management	E.g. water & wastewater treatment plants		The sustainable use and protection of water and marine resources
Carbon sequestration	E.g. biochar production, CCS/CCR technology		Climate change mitigation
Climate adaptation measures	Climate adaptation measures in buildings, infrastructure, sensitive habitats and in the municipality as a whole such as local management of rainwater (Sw. Lokalt Omhändertagande av Dagvatten/LOD) and planting of trees		Climate change adaptation

<sup>2</sup> Hydropower with water-rights court ruling in Sweden or concession in Norway

<sup>3</sup> New buildings are defined as buildings built after 31 Dec 2020, and existing buildings are defined as buildings built before 31 Dec 2020, in line with the current definition in the EU

<sup>4</sup> Certification of the buildings is positive but not a requirement

### 3. Process for project evaluation and selection

The evaluation and selection process for Green Eligible Projects is a key process in ensuring that the amount equivalent to the net proceeds from Green bonds is allocated to projects which meet the criteria in the Framework.

The selection of Green Eligible Projects is managed by a dedicated group, the Green Bond Committee (“GBC”). Members of the GBC consist of the Finance Unit and Climate and Environment Unit. Östersund will assure that the sustainability expertise always relies within the GBC. All decisions are made in consensus, and this applies to the selection process of Green Eligible Projects as well.

A list of Green Eligible Projects is kept by the Finance Unit and Climate and Environment Unit who is also responsible for keeping it up to date.

Östersund will follow the development of the green financing market and manage any future updates of the Framework to reflect current and future market practices (e.g. the EU Taxonomy) and potential updates to the GBP.

The list of Green Eligible Projects is monitored on a regular basis during the term of the Green Bonds to ensure that the proceeds are sufficiently allocated to Green Eligible Projects. This is also a responsibility of the GBC.



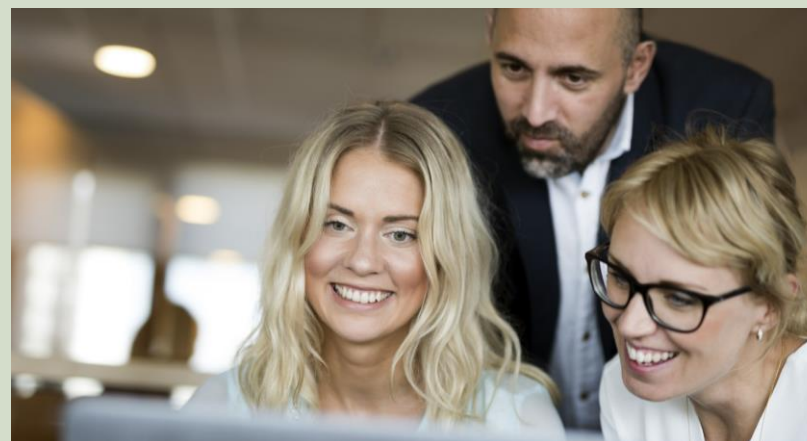
### 4. Management of proceeds

Equivalent to the net proceeds from Östersund’s Green bonds will be tracked by using a spreadsheet where all issued amounts of Green bonds will be inserted. The spreadsheet ensures monitoring and tracking of proceeds. The Finance Unit and Climate and Environment Unit is responsible for the allocation of proceeds.

All Green bonds issued by Östersund will be managed on a portfolio level. Östersund intends to align, on a best effort basis, the reporting with the portfolio approach described in ICMA’s “*Handbook – Harmonized Framework for Impact Reporting (June 2021)*”. Projects can whenever needed be removed or added to the green portfolio of Green Eligible Projects. If, for any reason, a Green Eligible Project ceases to comply with the requirements set out in the Municipality’s Green Bond Framework such project will be removed from the green portfolio.

Any unallocated proceeds will be temporary held by Östersund and placed in line with the Municipality’s handling of short-term excess liquidity. Should there be any unallocated proceeds Östersund strives to allocate them within one year.

The proceeds of Östersund’s Green bonds will not be used to finance investments linked to fossil energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.



## 5. Reporting

To be fully transparent towards investors and other stakeholders, Östersund commits to regular reporting until no Green bonds are outstanding. The report will be published on Östersund's website on an annual basis and will cover the following areas:

### Allocation of proceeds reporting

- Total amount of Green bonds issued
- A list of financed Green Projects within the Östersund Municipality
- Share of proceeds used for financing/re-financing and share of proceeds used for categories described in Section 2
- Share of unallocated proceeds (if any)

### Impact reporting

Östersund intends to report on quantitative impact indicators where reasonable and where relevant data is available for several indicators. Some of these include:

- Estimation of avoided CO2e emissions
- Annual energy saved (MWh)
- Annual energy production (MWh)



## 6. External review

### Second opinion

To confirm the transparency and robustness of Östersund's Green Bond Framework, it is verified and approved by an external *second opinion provider*. The second opinion by CICERO is available on Östersund's website; [www.ostersund.se](http://www.ostersund.se) together with this Framework.

### External verification

Allocation of proceeds will be subject to an annual review by an *independent party*. The verification report provided by the independent party will be published on Östersund's website; [www.ostersund.se/gronaobligationer](http://www.ostersund.se/gronaobligationer)





## Appendix

- [Climate goals](#)
- [Climate Strategy](#)
- [Climate Program](#)
- [Carbon budget](#)
- [Sustainable transportation](#)
- [The Comprehensive Plan - Östersund 2040](#)
- [Climate reporting](#)
- [Environmental management system \(ISO 14001/EMAS\)](#)



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Telefon 063-14 30 00. [www.ostersund.se](http://www.ostersund.se)

