Second-Party Opinion

Lund Municipality Green Bond Framework

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Summary

Sustainalytics is of the opinion that the Lund Municipality Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy, Green and Energy-Efficient Buildings, Energy Efficiency, Water and Wastewater Management, Waste and Circularity, and Environmental and Climate-Adaptation Measures – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 14 and 15.

PROJECT EVALUATION AND SELECTION Lund Municipality has established a committee that is responsible for the project evaluation and selection process in accordance with the eligibility criteria under the Framework. Lund Municipality has adopted internal guidelines and processes, and relies on the compliance with applicable regional regulations, to manage environmental and social risks associated with eligible projects. Sustainalytics considers the project selection process and the risk management system to be in line with market practice.

MANAGEMENT OF PROCEEDS Lund Municipality's Finance department will be responsible for the allocation and tracking of proceeds using a green register. Lund Municipality intends to allocate proceeds to eligible projects within one year of issuance. Pending full allocation, proceeds will be temporarily placed in the municipality's general liquidity reserve. This is in line with market practice.

REPORTING Lund Municipality commits to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Allocation and impact reporting may include details such as the nominal amount of outstanding green bonds, the relative share of new financing versus refinancing, descriptions of selected green projects financed, the balance of unallocated proceeds, and annual energy savings and production. Sustainalytics views Lund Municipality's allocation and impact reporting as aligned with market practice.

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Report Sections

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Introduction

Lund is a municipality (*kommun*) in southern Sweden comprising nine localities with its seat at the city of Lund. as of December 2022. Lund is Sweden's 12th largest municipality with approximately 130,000 inhabitants.[1]

Lund Municipality (the "Municipality") has developed the Lund Municipality Green Bond Framework dated February 2024 (the "Framework"), under which it intends to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to have positive impacts on Lund's environment and its inhabitants and promote sustainable development in the municipality.

The Framework defines eligibility criteria in seven areas:

1. Clean Transportation
2. Renewable Energy
3. Green and Energy-Efficient Buildings
4. Energy Efficiency
5. Water and Wastewater Management
6. Waste and Circularity
7. Environmental and Climate-Adaptation Measures

Lund Municipality engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).[2] The Framework has been published in a separate document.[3]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[4] opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Lund Municipality's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Lund Municipality representatives have confirmed (1) they understand it is the sole responsibility of Lund Municipality to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Lund Municipality.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts

[1] Statistics Sweden, "50 largest municipalities, by population", (2022), at: https://www.scb.se/en/finding-statistics/statistics-by-subject-area/population/population-composition/population-statistics/pong/tables-and-graphs/population-statistics---year/swedens-50-largest-municipalities-2022/

[2] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

[3] The Lund Municipality Green Bond Framework is available on Lund Municipality's website at: https://lund.se/kommun-och-politik/kommunens-ekonomi-och-budget/grona-obligationer

[4] When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Lund Municipality has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Lund Municipality Green Bond Framework

Sustainalytics is of the opinion that the Lund Municipality Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories, Clean Transportation, Renewable Energy, Green and Energy-Efficient Buildings, Energy Efficiency, Water and Wastewater Management, Waste and Circularity, and Environmental and Climate-Adaptation Measures, are aligned with those recognized by the GBP.[5]
  - The Municipality has communicated to Sustainalytics that it will not refinance opex under the Framework and has not established a look-back period, which Sustainalytics considers to be in line with market practice.
  - Under the Clean Transportation category, the Municipality may finance the following activities to support zero-emission mobility:
    - Passenger cars and vehicles with zero direct CO_2 emissions. Lund Municipality has communicated to Sustainalytics that it also contemplates to finance equipment with zero direct emissions, in particular, vehicles that are used for maintaining the Municipality's public infrastructure, such as street sweepers, waste collection vehicles and replacing fossil fuel-powered mowers with electric mowers.
    - Infrastructure that supports the operation of zero emissions road transport and public transport, including electric charging points and electrified tram systems. The Municipality has confirmed to Sustainalytics that parking lots, and the development of roads and bridges will be excluded under the Framework.
    - Infrastructure dedicated to personal mobility which includes pavements, bike lanes and pedestrian zones.
    - Sustainalytics considers the expenditures under this category to be aligned with market practice.
  - Under the Renewable Energy category, the Municipality may finance the following:
    - Energy generation from photovoltaic solar and wind power projects.
    - Bioenergy production from agricultural and forest residues and other residual flows, including sludge from wastewater operations and organic waste from parks and forests. The Municipality has confirmed to Sustainalytics that residues from industrial livestock and waste tallow and wastewater from fossil fuel operations will be excluded under the Framework.
    - Energy storage facilities for managing the intermittency of renewable energy. The Municipality has confirmed that energy storage systems will be limited to battery storage and green hydrogen storage that are directly connected to renewables.
    - Sustainalytics considers the expenditures under this category to be aligned with market practice.
  - Under the Green and Energy-efficient Buildings category, the Municipality may finance the acquisition, construction and renovation of buildings in accordance with the following criteria:

[5] Sustainalytics has reviewed just those activities and associated examples that are specified in the Framework.

  - New premises[6] with primary energy demand (PED) at least 30% lower than the level required by the Swedish national building regulation (BBR);[7] or new residential buildings with PED at least 20% lower than the level required by BBR. In addition to the above criteria, Lund Municipality requires all new buildings to have a maximum amount of embodied carbon of 270 kg CO_2e/m^2 GFA based on the scope according to legislation on climate declarations.[8]
  - Existing residential buildings and premises[9] with an energy performance certificate (EPC) A or in the top 15% most energy-efficient buildings of the national building stock.[10]
  - Renovations of existing buildings that lead to at least a 30% reduction in PED per square meter and year (kWh/m^2/year) compared to the pre-renovation baseline. Lund Municipality has confirmed to Sustainalytics that such investments will be limited to renovation expenditures only.
  - Sustainalytics considers the investment under this category to be aligned with market practice.
- Under the Energy Efficiency category Lund Municipality intends to finance energy efficiency upgrades, including:
  - Energy efficient doors, windows, light sources and LED lighting.
  - Instruments and devices for measuring, regulating and controlling energy performance of buildings.
  - Renewable energy technologies, including heat pumps, storage units and heat exchangers and recovery systems for buildings.
    - The Municipality has communicated to Sustainalytics that it will restrict financing to electric heat pumps under the Framework and that it has adopted an internal process to prioritize heat pumps based on refrigerants with low GWP. The Municipality has additionally communicated that most of the financed heat pumps will use refrigerant leakage detection alarms and that, in some cases, it will rely on periodic inspections to detect refrigerant leakage. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems, and recommends the Municipality to continue its efforts to prioritize financing of heat pumps with low-GWP refrigerants coupled with a robust refrigerant leak control, detection and monitoring system, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
    - For storage units, the Municipality has also confirmed to Sustainalytics that they will be exclusively used to store renewable energy.
    - The Municipality has communicated to Sustainalytics that the financed heat exchangers and recovery systems will be powered primarily by renewables (>50%).
  - The Municipality has confirmed to Sustainalytics that investments in fossil fuel-powered equipment will be excluded from this category.
  - Sustainalytics views positively the inclusion of a 30% energy efficiency threshold individually for all upgrades financed under this category, and views the criteria for financing such upgrades under the Framework to be aligned with market practice.
- Under the Water and Wastewater Management category, Lund Municipality may finance projects related to the processing of wastewater and a more efficient fresh water supply infrastructure, which includes equipment upgrades to the Municipality's water management infrastructure, including water monitoring and loss management systems, water storage capacity expansion, enablement of more efficient new water distribution, such as pumping stations and gravity-fed canals, and wastewater management infrastructure. The Municipality has also confirmed that wastewater from fossil fuel production and operation, and fossil fuel-based equipment will be excluded under the category. Sustainalytics considers expenditures under this category to be in line with market practice.
- Under the Waste and Circularity category, Lund Municipality may finance the following:

[6] Lund Municipality defines new premises and residential buildings as buildings where the building application was filed after 1 January 2021.
[7] BBR is issued by Boverket, the Swedish National Board of Housing, Building and Planning.
Boverket, "About Boverket", (2023), at: https://www.boverket.se/en/start/about/about-boverket/
[8] The Framework specifies that a climate declaration is made for the construction phase in accordance with legislation and climate calculations are made in accordance with LFM30's more comprehensive methodology that covers all modules (A1-A5).
[9] Lund Municipality defines existing residential buildings and premises as buildings where the building application was filed before 1 January 2021.
[10] The Framework clarifies that such buildings are determined through a specialist study assessing the criteria and applicable thresholds in the relevant national context.

        - Development of the Municipality's waste collection infrastructure, such as recycling bins and garden containers, where non-hazardous waste is segregated at source.
        - Remediation of contaminated land, water area, groundwater, buildings or facilities that pose risks to human health or the environment. Lund Municipality has confirmed to Sustainalytics that the Municipality will ensure the contamination is not resulted from its own activities and that the remediation process financed under the Framework will not involve use of fossil fuel.
        - Technical infrastructure for waste collection, including underground vacuum pipes to transport municipality waste. The Municipality has communicated to Sustainalytics that such projects will not be powered by fossil fuel and will segregate different types of waste.
        - Biochar production plants using waste from the city's parks and residents' gardens. The Municipality has communicated to Sustainalytics that biochar will be produced through pyrolysis process with an emissions threshold of 35 gCO_2e/kWh and that produced biochar will be used as an additive to soil for enhancing its properties.
        - Sustainalytics considers expenditures under this category to be aligned with market practice.
    - Under the Environmental and Climate-adaptation Measures category, the Municipality may finance the following climate adaptation and environmental measure in buildings, infrastructure and sensitive habitats: i) stormwater reservoirs and rain gardens; ii) ditches along streets, roads, green areas and between streets, cycle paths and walkways; iii) green roofs; iv) preservation and planting of trees for shading and cooling; v) wetland creation; vi) measures for recirculation of water; and vii) stormwater management. The Municipality has confirmed to Sustainalytics that it will conduct a vulnerability assessment followed by an adaptation plan to address the identified risks for all climate adaptation measures financed under the Framework. Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
    - Lund Municipality has established a committee that is responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The committee consists of representatives from the Municipal Office's Finance department, environmental strategy units, building and construction administrations, municipal companies and municipal associations.
    - Lund Municipality has adopted internal guidelines and processes, and relies on the compliance with applicable regional regulations to address environmental and social risks associated with projects being financed. Refer to Section 2 for more details.
    - Based on the cross-functional oversight structure for project evaluation and selection and the presence of an environmental and social risk management system, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
    - The Municipality has communicated to Sustainalytics that the Municipal Office's Finance department will manage the allocation of proceeds using a portfolio approach and track them using a green register.
    - Lund Municipality intends to fully allocate proceeds within one year of issuance. Pending full allocation, proceeds will be temporarily placed in the Municipality's general liquidity reserve.
    - Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
    - The Municipality commits to report on the allocation and impact of proceeds on its website on an annual basis until full allocation and in the event of a significant change.
    - Allocation reporting will include: i) the nominal amount of outstanding green bonds; ii) the relative share of new financing versus refinancing; iii) descriptions of selected green projects financed; and iv) the balance of unallocated proceeds, if any. In addition, the Municipality intends to report on alignment of the financed projects with the EU Taxonomy, to the extent possible.
    - Impact reporting may include project descriptions and impact indicators, such as annual energy savings (in kWh), annual energy production (in kWh) and estimation of annual avoided GHG emissions (in tCO_2). In addition, the Municipality intends to report on the social impacts associated with the funded projects, to the extent possible.

- Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Lund Municipality Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Mandate of Lund Municipality

Contribution to the Municipality's sustainability mandate

In response to the EU's 2030 climate targets[11] and Sweden's national environmental objectives,[12] the Municipality launched an overarching sustainable development programme, LundaEko, in 2021, setting a city-wide commitment to enhance ecological sustainability between 2021 and 2030.[13] Under LundaEko, the Municipality has committed to reducing the GHG emissions by at least 65% by 2025 and 80% by 2030, compared to a 2010 baseline, and become nearly zero by 2045. In line with its emissions targets, the Municipality intends to achieve: i) a 90% emissions reduction in the transport sector between 2021 and 2030; ii) a 15% reduction in end and primary energy use from 2015 to 2030; and iii) 1,300 GWh of renewable energy generation by 2025. It also aims to have solar and wind power generation account for 100 GWh of energy generation in 2025 and 150 GWh in 2030.[14] To achieve these targets, the Municipality developed detailed strategies and action plans, including: i) the Energy Plan, which lays out measures for energy supply, transmission and storage, as well as renewable energy production, energy-efficient transport, renewable fuels, and renovations and efficiency improvements in buildings;[15] ii) the Plan for Climate-neutral Construction and Facilities, through which it commits to halve the emissions of construction projects to be completed in 2025, and requires projects to be completed in 2030 to be climate neutral.[16]

In 2022, the Municipality developed a waste management plan with goals and measures on waste reduction, sorting, littering and related co-operation programmes. The Municipality aims to: i) reduce generated waste by 35% by 2030 compared to a 2013 baseline; ii) increase waste sorting and decrease the proportion of recyclable material in residual waste from 57% in 2020 to 48% by 2026; iii) reduce littering from 69% in 2020 to 48% by 2026; and iv) enhance co-operation with the public, private, non-profit and academic sectors to develop waste collection systems and promote behavioral changes. The Municipality aims to initiate a collaboration event each year between different municipal departments and corporates until 2026 to discuss measures that help achieve the Municipalities waste management goals.[17]

Regarding sustainable water and wastewater management, the Municipality has established five water management plans: i) the Water Supply Plan to protect water resources and ensure long-term water supplies;[18] ii) the VA Expansion Plan to expand the city's water and sewage networks;[19] iii) the Lake and Watercourse Plan to preserve water and ecosystems;[20] iv) the Stormwater Plan to manage urban stormwater;[21] and v) the Flood Plan to prevent flooding and mitigate risks of damages.[22]

Sustainalytics is of the opinion that the Framework is aligned with Lund Municipality's overall sustainability strategy and initiatives, and will contribute to the actions on the Municipality's key environmental priorities.

[11] European Commission, "2030 targets", at: https://commission.europa.eu/energy-climate-change-environment/overall-targets-and-reporting/2030-targets_en
[12] Naturvårdsverket, "Swedish environmental objectives", at: https://www.naturvardsverket.se/en/om-miljoarbetet/swedish-environmental-objectives/
[13] Lund Municipality, "Lunds kommuns program för ekologisk hållbar utveckling 2021 - 2030", (2021), at: https://lund.se/download/18.2899fac318093d2b72817dd7/1680612611704/Lunds%20kommuns%20program%20f%C3%B6r%20ekologisk%20h%C3%A5llbar%20utveckling%202021-2030.pdf
[14] Ibid.
[15] Lund Municipality, "Energiplan för Lunds kommun", (2021), at: https://lund.se/download/18.3b02bae717dc272d0ec233a1/1642754353051/Energiplan%20f%C3%B6r%20Lunds%20kommun%202019-2026.pdf
[16] Lund Municipality, "Plan för klimatneutralt byggande och anläggning", at: https://lund.se/download/18.292367a818a9322ce7f11849/1695724764460/Plan%20f%C3%B6r%20klimatneutralt%20byggande.pdf
[17] Lund Municipality, "Lunds kommuns avfallsplan", (2022), at: https://lund.se/download/18.689c53ed18388fd1925ab99/1665391291741/Avfallsplan%20f%C3%B6r%20Lunds%20kommun.pdf
[18] Lund Municipality, "Vattenförsörjningsplan", (2017), at: https://lund.se/download/18.5523db8818125e53c94b7f7/1655207792384/Vattenf%C3%B6rs%C3%B6rjningsplan%20Lunds%20kommun.pdf
[19] Lund Municipality, "VA-utbyggnadsplan", (2015), at: https://lund.se/download/18.4d7d8ecc1817ff13c6618c9d/1657779788864/VA-utbyggnadsplan%20Lunds%20kommun.pdf
[20] Lund Municipality, "Sjö- och vattendragsplan", (2017), at: https://lund.se/download/18.402bf0b018388c67fde1411d/1666247759597/Sj%C3%B6-%20och%20vattendragsplan%20Lunds%20kommun.pdf
[21] Lund Municipality, "Dagvattenplan", (2018), at: https://lund.se/download/18.44e3ea617a0905381360a25/1631609081113/Dagvattenplan%0Af%C3%B6r%20Lunds%20kommun.pdf
[22] Lund Municipality, "Översvämningsplan", (2018), at: https://lund.se/download/18.55c7f6a917cc221ffc567d1/1635847062617/%C3%96versv%C3%A4mningsplan%20Lunds%20kommun.pdf

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to biodiversity loss and land use associated with large-scale infrastructure development; emissions, effluents and wastes generated in construction; occupational health and safety; and community relations.

Sustainalytics is of the opinion that the Municipality is able to manage or mitigate potential risks through the implementation of the following:

- Regarding the adverse environmental impacts of large-scale projects, such as risks related to land use and biodiversity loss, projects financed in the EU are expected to comply with Directive 2014/52/EU, which requires projects that are likely to have significant environmental effects to be adequately assessed before approval. It also requires that adequate measures be undertaken to avoid, prevent, reduce and, if possible, offset significant adverse effects on the environment, in particular on species and habitats. For land-intensive projects, the directive requires land use-related impacts to be identified, described and assessed through an environmental impact assessment. For large-scale projects, this also includes limiting impacts on land and soil, including organic matter, erosion, compaction and sealing.[23]
- To manage emissions, effluents and waste, the Municipality is required to follow the applicable EU guidelines and regulations, such as the EU Construction and Demolition Waste Protocol and Guidelines,[24] the EU Waste Framework Directive,[25] the Waste Electrical and Electronic Equipment Directive[26] and the European Waste Shipment Regulation.[27] These regulations aim to ensure that waste management is carried out without endangering human health or negatively impacting the environment.
- Regarding occupational health and safety, the EU Directive on Worker Health and Safety establishes minimum safety and health requirements throughout the EU. The directive requires employers to implement necessary measures to prevent occupational risks, improve working conditions, provide adequate instructions and training, among other workplace health and safety provisions.[28] Sweden has transposed the directive in its national legislation.[29]
- Regarding community relations, the Municipality has multiple channels for its inhabitants to share their opinion regarding sustainability programmes. Specific examples include: i) the Municipality's general plans, including construction plans, that are required to be presented to the public for comments; ii) sustainability programmes that are shared with representatives from the local and regional NGOs for comments in the referral stage; iii) the Municipality holds teenager dialogue and workshops to introduce its programmes to the youth and encourage it to share comments. Additionally, the Municipality has an online platform through which citizens can submit suggestions, comments and complaints regarding the Municipality's activities and services,[30] and a platform where inhabitants can submit proposal for a specific topic to the policy makers.[31] The topic is brought to discussion in the Municipality upon receiving more than 100 votes within a 60-day period.
- Lund is located in Sweden, which is recognized as a Designated Country under the Equator Principles, indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to mitigate common environmental and social risks associated with the projects financed under the Framework.[32]

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Lund Municipality has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

[23] European Commission, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014", (2014), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0052
[24] European Commission, "EU Construction and Demolition Waste Protocol and Guidelines", (2018), at: https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18_en
[25] European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", (2008), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098
[26] European Parliament, "Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)", (2012), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019
[27] European Parliament, "Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste", (2006), at: https://eurlex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006R1013
[28] European Commission, "Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:01989L0391-20081211&qid=1691606114488
[29] European Commission, "Evaluation of the Practical Implementation of the EU Occupational Safety and Health (OSH) Directives in EU Member States", (2015), at: https://ec.europa.eu/social/BlobServlet?docId=16895&langId=en
[30] Lund Municipality, "Synpunkter och klagomål", at: https://lund.se/kontakt/synpunkter-och-klagomal
[31] Lund Municipality, "Lämna ett Lundaförslag", at: https://lund.se/kommun-och-politik/sa-kan-du-paverka/lundaforslaget
[32] Equator Principles, "About the Equator Principles", at: https://equator-principles.com/about-the-equator-principles/

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on where the impacts are specifically relevant in the local context.

Importance of clean transportation in Lund

In 2017, Sweden adopted its climate policy framework, which is a key component of Sweden's contribution to the Paris Agreement.[33] The policy framework came into force in 2018 and set a long-term target of achieving zero net GHG emissions by 2045 at the latest, and net negative emissions post 2045. Sweden also set milestone emissions reduction targets of 63% by 2030 and 75% by 2040 from a 1990 baseline.[34]

Transportation holds a significant place in Sweden's decarbonization strategy as domestic transport accounted for approximately one-third of Sweden's total GHG emissions in 2021.[35] Along with its climate targets, Sweden has set a target to reduce emissions from domestic transport by at least 70% by 2030 compared to a 2010 baseline.[36,37] However, to meet its climate targets, the country must achieve emissions reduction faster than the historical rate.[38] The government's current policies may not be enough to achieve the climate targets and may even increase emissions in the near future, especially in domestic transport and non-road mobile machinery.[39]

Lund Municipality has set up its own target for reducing transportation-related emissions by 90% by 2030 compared to 2010 levels,[40] considering that transportation accounts for more than half of the emissions of the municipality.[41] The Municipality's sustainable transportation strategy, LundaMaTs,[42] focuses on six areas: village development, living city centre, commercial transport, regional commuting, Growing Lund and Innovative Lund.

Lund Municipality was selected as the Global Winner of the 2022 One Planet City Challenge by WWF for its achievements in sustainability.[43] In 2020, South Sweden's first modern tramline was inaugurated connecting the city centre to the Skåne University Hospital, Lund University of Technology, and European Spallation Source, and other important locations in the municipality.[44] In 2023, 75% of Lund residents travelled on foot, by bike or public transport.[45] The Municipality is further working to improve cycling infrastructure and influence behavioural change to increase cycling as a means of transportation.[46]

In this context, Sustainalytics is of the opinion that the Municipality's expenditures under the Clean Transportation category under the Framework will contribute to Sweden's country-level emissions reduction targets and municipality-level climate strategies.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Lund Municipality Green Bond Framework are expected to advance the following SDGs and targets:

[33] Naturvårdsverket, "Sweden's Climate Act and Climate Policy Framework", at: https://www.naturvardsverket.se/en/topics/climate-transition/sveriges-klimatarbete/swedens-climate-act-and-climate-policy-framework/
[34] Ibid.
[35] Swedish Climate Policy Council, "Report of the Swedish Climate Policy Council", (2023), at: https://www.klimatpolitiskaradet.se/wp-content/uploads/2023/05/krrapport2023english11maj.pdf
[36] Excluding domestic flights
[37] Ibid.
[38] Ibid.
[39] Ibid.
[40] Lunds Kommuns, "Lunds kommuns klimatpolitiska råd : Rapport 2023", (2023), at: https://lund.se/download/18.71752c65188516e45df9e4d/1685706372422/Klimatpolitiska%20r%C3%A5det,%20%C3%A5rsrapport%202023.pdf
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Use of Proceeds Category	SDG	SDG target
Clean Transportation	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green and Energy-Efficient Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Waste and Circularity	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Environmental and Climate-Adaptation Measures	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

Conclusion

Lund Municipality has developed the Lund Municipality Green Bond Framework, under which it may issue green bonds and use the proceeds to finance or refinance projects under the Clean Transportation, Renewable Energy, Green and Energy-Efficient Buildings, Energy Efficiency, Water and Wastewater Management, Waste and Circularity, and Environmental and Climate-Adaptation Measures categories. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Lund Municipality Green Bond Framework outlines processes for the tracking, allocation and management of proceeds and makes commitments for Lund Municipality to report on allocation and impact. Sustainalytics considers that the Lund Municipality Green Bond Framework is aligned with the Municipality's overall sustainability mandate, and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 6, 7, 9, 11, 14 and 15. Additionally, Sustainalytics considers that Lund Municipality has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Lund Municipality is well positioned to issue green bonds and that the Lund Municipality Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

Disclaimer

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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