

CITY OF MALMÖ

GREEN BOND FRAMEWORK

SECOND-PARTY OPINION BY SUSTAINALYTICS

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1. INTRODUCTION

The City of Malmö is Sweden's third largest city with a population of over 300,000 inhabitants, while the expanded Malmö metropolitan region hosts more than 700,000 residents. The City of Malmö was one of Sweden's most industrialized areas, with a textile and manufacturing focus during the 19th century, and a strong shipbuilding industry in the 20th century. For more than a decade, the municipality has been undertaking substantial regeneration efforts to address previous environmental legacies from those industries, and to be prepared for future environmental challenges and provision of sustainable living conditions.

The City of Malmö has developed a Green Bond Framework¹ under which it intends to issue green bonds. Proceeds of the bonds will be used to finance a select pool of 'Eligible Projects and Assets' targeting climate change mitigation and adaptation as well as the protection of the environment and its ecosystems. Specifically, the net proceeds will be used exclusively on projects and assets that relate to the following categories:

- Clean Transportation;
- Climate Change Adaptation;
- Green and Energy Efficient Buildings;
- Energy Efficiency;
- Environmentally Sustainable Management of Living Natural Resources;
- Pollution Prevention and Control;
- Renewable Energy;
- Sustainable Water and Wastewater Management.

The City of Malmö has engaged Sustainalytics to provide a second-party opinion on its Green Bond Framework and on the framework's environmental credentials. As part of this engagement, Sustainalytics held conversations with various Departments of the City of Malmö, which included Treasury, Environment, Real Estate, Finance and Controlling, Communication team representatives, but also members from the City of Malmö's subsidiaries MKB Housing Company and VA-Syd (Regional Wastewater and Waste Utility). Sustainalytics also reviewed a broad set of documentation in order to understand the planned use of proceeds, management of proceeds and reporting aspects of the City of Malmö Green Bond Framework. Following this engagement, some elements of the City of Malmö's Green Bond Framework were clarified to ensure an alignment with the level of disclosure expected by ICMA's Green Bond Principles (GBP).²

This document contains Sustainalytics' opinion on the City of Malmö's Green Bond Framework and should be read in conjunction with that framework.

¹ Available at malmo.se/gronaobligationer

² The Green Bond Principles 2017, dated 2 June 2017, issued by the International Capital Markets Association (ICMA)

2. SUSTAINALYTICS' OPINION

Section 1: Sustainalytics' Opinion on the City of Malmö Green Bond Framework

Sustainalytics is of the opinion that the City of Malmö's Green Bond Framework is transparent, robust, and aligns with the four pillars of the Green Bond Principles 2017. In addition, Sustainalytics views the following elements of the City of Malmö Green Bond Framework positively:

- The eligible use of proceeds categories (i.e. Clean Transportation, Climate Change Adaptation, Green and Energy Efficient Buildings, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources, Pollution Prevention and Control, Renewable Energy, Sustainable Water and Wastewater Management) are all recognized by the Green Bond Principles as project categories with clear environmental benefits, and Sustainalytics views these projects as having a positive environmental impact (for additional information on impact see Section 3).
- The City of Malmö's and Green and Energy Efficient Buildings eligibility criterion is based on: (i) third-party certification standards such as Miljöbyggnad and BREEAM, (ii) local programme schemes such as the Svanen Ecolabel and the Miljöbyggprogram, and (iii) the Swedish building norms BBR (Boverket Byggregler) established by the Swedish National Board of Housing. Sustainalytics has conducted an evaluation of the schemes used (see Appendix 1), and considers this is in line with market practice, and provides adequate transparency and assurance on the level of energy efficiency gains rendered by the financed projects.
- The process for project evaluation and selection is conducted through the explicit collaboration of the business units, Administrative and Environmental departments of the City of Malmö. Sustainalytics considers that the required consensus between the municipality's decision-making bodies is likely to strengthen the impact of the use of proceeds, and views positively the fact that the City of Malmö's Environmental Department has veto capacity for the final approval of the Eligible Projects.
- The net proceeds of any issue under the Green Bond Framework will be credited to an earmarked account (the 'Green Account'), which ensures strong monitoring and tracking of the use of proceeds. Additionally, the City of Malmö is committed to not allocate proceeds in temporary investments, ensuring that proceeds will be exclusively allocated to Eligible Projects. This is in line with market best practice.
- The City of Malmö demonstrates a strong commitment to transparent reporting. The municipality is committed to disclosing proceeds allocated for each large investment project,³ and in aggregated terms (per project category) for smaller projects. This information will be verified by the City of Malmö's auditors. With regards to impact reporting, the municipality commits to providing examples of financed projects for each eligible category, and will report on key performance indicators (KPIs) in its yearly green bond report. Sustainalytics highlights the City of Malmö's commitment to provide investors with comprehensive impact reporting and sees the level of detail brought by the municipality as a best practice for the Nordic green bond market.

³ For the following project categories: Green and Energy Efficient Buildings, Renewable Energy and infrastructure development within Clean Transportation.

Alignment with Green Bond Principles 2017

Sustainalytics has determined that the City of Malmö Green Bond Framework aligns to the four pillars of the Green Bond Principles. For detailed information please refer to Appendix 3: Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of the City of Malmö

Contribution of the City of Malmö's Green Bond to the Municipality's Environmental Commitments

Sustainalytics is of the opinion that the City of Malmö has a strong Environmental Programme and governance structure due to the municipality's:

- (i) Explicit commitments to become the 'Best City in the World for Sustainable Urban Development' by 2020, as well as 'Sweden's Most Climate Friendly City' by 2020;⁴
- (ii) Holistic Environmental Programme 2009-2020 developed around four pillars: "Malmö - Sweden's Most Climate Friendly City", "Malmö – The City of the Future", "Sustainable Use of Natural Resources" and "It's Easy to do the Right Thing in Malmö;"
- (iii) Comprehensive Plan – a framework presenting the City of Malmö's long-term vision for sustainable development and its decision-making processes encompassing priorities and strategies for sustainable development;⁵
- (iv) Implementation of an incentive strategy, according to which the City of Malmö's committees and steering board have to translate the overarching environmental targets into subsets of objectives, and quantitative and qualitative targets and incorporate them into their agendas;
- (v) Commitment to reduce the City of Malmö's GHG emissions by 40% by 2020 (compared to the 1990 baseline year). Sustainalytics highlights the City of Malmö's ongoing efforts to reduce the GHG emissions per inhabitant, which resulted in a decrease of GHG emissions of 60% for the 1980 to 2016 period;⁶
- (vi) Leadership towards the UN Sustainable Development Goals. The City of Malmö was the first Swedish Local Authority to sign the 2030 Agenda for Sustainable Development and publicly commit to implement the UN Sustainable Development Goals at the local level.

Overall, Sustainalytics is confident that the City of Malmö is well positioned to issue green bonds and that the issuance of green bonds aligns and positively contributes to the Municipality's strong Environmental Programme and environmental targets.

Well positioned to mitigate environmental and social risks associated with the projects

Sustainalytics recognizes that potential upgrades or extensions of the City of Malmö's transportation, waste and wastewater management infrastructure, and new building projects, may be associated with

⁴ Environmental Programme for the City of Malmö 2009 – 2020, available at <http://malmo.se/download/18.6301369612700a2db9180006215/1491304408540/Environmental+Programme+for+the+City+of+Malm%C3%B6+2009-2020.pdf>

⁵ Comprehensive Plan for Malmö, available at: http://malmo.se/download/18.1256e63814a61a1b34c1b34/1491298772439/OP_english_summary_hemsida.pdf

⁶ Assessment based on GHG emissions data provided to Sustainalytics by the City of Malmö by email on November 2nd, 2017.

environmental and social risks such as noise and air pollution, unexpected water discharges and local community approval. The City of Malmö follows Swedish environmental regulations, and it complies with all policies and guidelines to mitigate environmental and social risks associated with its projects. For example, the City of Malmö is required by the Swedish Transport Agency to perform an environmental risk assessment encompassing indicators for air emissions, energy use, air quality, noise and vibration, soil and water, materials and any negative impact on landscape for any road infrastructure development work.⁷ Moreover, the City of Malmö's commitment to monitor the performance of green buildings throughout the life cycle, provides assurance that environmental risks associated with green building projects are adequately managed. Overall, Sustainalytics is confident that the City of Malmö is well positioned to identify, manage and mitigate environmental and social risks associated with the projects financed.

Section 3: Impact of Use of Proceeds

Overall, Sustainalytics considers that the proceeds of the City of Malmö's green bonds will have significant environmental benefits and contribute to the City of Malmö's:

- (i) Preparedness and resilience to climate change and climate-related weather events,
- (ii) Protection of the municipality's environment and its eco-systems.

Contribution towards the achievement of national and local climate-related targets

Sweden has been recognized as the world's most sustainable country,⁸ with its government allocating more than SEK 5 billion (approximately EUR 518 million)⁹ from the 2018 national budget to ongoing and new environmentally impactful investments, with the purpose of building a "green society". These projects include public investment across Swedish municipalities, which in turn direct public resources to finance sustainable development. Sustainalytics considers that the City of Malmö's target to GHG emissions by 40% by 2020 (compared to the 1990 baseline year), aligns with Sweden's national target to become carbon neutral by 2045,¹⁰ and with EU regulations requiring Sweden to reduce its CO₂ emissions by 63% (compared to the 1990 level) by 2030. Overall, Sustainalytics is confident that the proceeds of the green bonds will contribute to the above-mentioned targets. Specifically, Sustainalytics considers that Clean Transportation, Renewable Energy and Green and Energy Efficient Buildings are Eligible Project categories which will contribute to the achievement of national and local-related targets.

Importance of clean transportation towards achieving climate-related goals

The City of Malmö's Environmental Programme 2009-2020 has a strong focus on sustainable mobility and urban planning tailored around the city's current and proposed public transportation facilities. Additionally, it includes relevant targets such as: (i) all light commercial vehicles circulating in the city must be powered by biogas, hydrogen, electricity or plug-in technology by 2020, and (ii) decrease of the automobile traffic from a current car use share of 40% to a projected share of 30% by 2030, to the benefit

⁷ Swedish Transport Agency's Environmental Report:

https://trafikverket.ineko.se/Files/sv-SE/25491/Ineko.Product.RelatedFiles/2017_090_trafikverkets_miljorapport_2016.pdf

⁸ http://www.climateactionprogramme.org/news/sweden_ranked_as_most_sustainable_country_in_the_world

⁹ <http://www.government.se/press-releases/2017/09/largest-ever-investment-in-climate/>

¹⁰ <http://newsroom.unfccc.int/unfccc-newsroom/sweden-plans-to-be-carbon-neutral-by-2045/>

of public transportation and bicycle use. Sustainalytics views positively Malmö's focus on clean transportation and believes that the proceeds of the green bonds align with its environmental objectives.

Importance of Green and Energy Efficient Buildings towards achieving climate-related goals

The City of Malmö's and Green and Energy Efficient Buildings eligibility criterion is based on:

- (i) third-party certification standards such as Miljöbyggnad (Silver), BREEAM (BREEAM-SE Very Good, BREEAM in-use Very Good) and LEED (Gold).
- (ii) local programme schemes such as the Svanen Ecolabel and the Miljöbyggprogram (Grade B),
- (iii) the Swedish building norms BBR (Boverket Byggregler); eligible properties need to have at least 15% lower energy use per square meter than required by BBR.

Sustainalytics has conducted an evaluation of the schemes referenced (see Appendix 1), and considers that these schemes are credible and ensure an integration of environmental considerations during all stages of a building's life-cycle. Sustainalytics conducted an additional evaluation of the Miljöbyggprogram 2.0 programme, given that this is based on self-assessment rather than a third-party certification. While Sustainalytics recognizes that receiving green building certification is the recommended practice, Sustainalytics considers the Miljöbyggprogram to be a credible and robust tool which evaluates particularities specific to the City of Malmö's local context (e.g. moisture safety, urban biodiversity). Furthermore, Sustainalytics considers that the City of Malmö's investments in buildings in the top 15% of the local market in terms of energy efficiency (supported by an independent study), as well as the minimum threshold of 30% in energy savings for major renovations of existing properties, set the tone for significant energy savings in buildings and contribute to climate-related targets.

Importance of Climate Change Adaptation for the City of Malmö

Based on climate-change studies and information by the Swedish Meteorological and Hydrological Institute,¹¹ the City of Malmö identified storm flooding and the rising sea levels as the leading climate risks affecting the municipality.¹² Sustainalytics analyzed the City of Malmö's Climate Adaptation Strategy, its Stormwater Plan (the first such plan in Sweden, implemented in 2017) and the potential Climate Change Adaptation investments, and it views positively the Municipality's holistic approach comprising the extension of green and blue areas along with new climate-adapted city planning (e.g. open water drainage systems and infrastructure to improve stormwater catchment and retention capabilities,¹³ which enhance the municipality's storm flood protection mechanisms).

Importance of Pollution Prevention and Control and Sustainable Water and Wastewater Management

The City of Malmö's historical significance as an industrial city with a focus on the chemical-intensive textile and manufacturing industries led to the contamination of land and water resources with dangerous synthetic chemicals, toxins and microplastics.¹⁴ The municipality determined that the air-borne chemicals generated by the city's current production and consumption patterns, along with the hazardous substances already trapped in its lake waters, streams and soils, in addition to environmental damage,

¹¹ <http://www.smhi.se/klimat/framtidens-klimat/klimatscenarier>

¹² Climate Adaptation Strategy, available at: http://www.mcrit.com/ADJUNTS/ciutats_sostenibles/malmo.pdf

¹³ Malmö Water Strategy, available at: <http://www.vasyd.se/Artiklar/Dagvatten/Dagvattenstrategi>

¹⁴ <https://www.niehs.nih.gov/health/topics/agents/endocrine/index.cfm>

expose its inhabitants to health risks over the long-term. Sustainalytics is of the opinion that the City of Malmö’s proposed soil remediation projects focusing on the removal of harmful substances such as hazardous chemicals or metals will limit negative environmental and social consequences and deliver environmental benefits.

Similarly, being located in a region placed at risk of eutrophication by the Swedish Environmental Protection Agency,¹⁵ the City of Malmö’s proposed Sustainable Water and Wastewater Management projects target the implementation of corrective actions to limit the release of eutrophying agents in the coastal waters. Sustainalytics considers that the municipality’s proposed investments in the processing of wastewater will substantially reduce excess effluents such as chemicals and organic compounds and positively contribute to enhance the regional biotopes.

The social benefits of the Eligible Projects

Sustainalytics is confident that the proposed Eligible Projects will positively impact the quality of life of the citizens of the City of Malmö. For example, in Sustainalytics’ view, the Municipality’s projects financing (i) clean and accessible public transportation, (ii) expansion of green and blue areas, and (iii) depollution of the city’s industrial brownfields, enhance the inhabitants’ quality of life, and contribute to the improvement of public health.

Alignment with the United Nations (UN) Sustainable Development Goals

The City of Malmö was the first Swedish Local Authority to sign the United Nations’ 2030 Agenda for Sustainable Development and publicly commit to implement the UN Sustainable Development Goals at the local level. Sustainalytics considers that the City of Malmö’s Green Bond Framework will mainly advance the following SDG goals and targets:

Use of Proceeds	UN SDG	SDG Target
Clean Transportation	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.
Climate Change Adaptation	13. Climate Action	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.
Green and Energy Efficient Buildings		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Renewable energy, Energy efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.

¹⁵ Wastewater treatment in Sweden by the Swedish Environmental Protection Agency, available at <https://www.naturvardsverket.se/Documents/publikationer6400/978-91-620-8704-3.pdf?pid=13165>

<p>Pollution prevention and control, Sustainable Water and Wastewater Management</p>	<p>6. Clean Water and Sanitation 12. Responsible Consumption and Production</p>	<p>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. 12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.</p>
<p>Environmentally Sustainable Management of Living Resources</p>	<p>15. Life on Land</p>	<p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.</p>

Conclusion

The City of Malmö has developed a Green Bond Framework under which it intends to issue green bonds. Proceeds of the bonds will be used to finance or refinance expenditures in the areas of: (i) Clean Transportation, (ii) Climate Change Adaptation, (iii) Green Buildings, (iv) Energy Efficiency Investments, (v) Environmentally Sustainable Management of Living Natural Resources, (vi) Pollution Prevention and Control, (vii) Renewable Energy, and (viii) Sustainable Water and Wastewater Management.

Sustainalytics views the following elements of the City of Malmö Green Bond Framework positively:

- (i) alignment of the eligibility criteria with projects recognized by the Green Bond Principles as having clear environmental benefits;
- (ii) the City of Malmö’s Environmental Department has veto capacity for the final approval of the Eligible Projects, which strengthens the project selection and evaluation process;
- (iii) the City of Malmö is committed to not allocate proceeds in temporary investments, ensuring that proceeds will be exclusively allocated to Eligible Projects. This is in line with market best practice;
- (iv) the City of Malmö has a strong commitment to transparent reporting, especially with regard to impact reporting, with impact indicators defined for most green project categories. Sustainalytics highlights the City of Malmö’s commitment to provide investors with comprehensive impact reporting and sees the level of detail provided by the Municipality as a best practice for the Nordic green bond market.

Additionally, Sustainalytics is of the opinion that projects funded by the proceeds of the green bonds will positively contribute to the success of the City of Malmö’s Environmental Programmes, which include ambitious environmental targets and will contribute to advancing SDGs 6, 7, 11, 12, 13 and 15.

Based on the above, Sustainalytics is confident that the City of Malmö is well positioned to issue Green Bonds and that its Green Bond Framework is transparent, robust, and in alignment with the four pillars of the Green Bond Principles.

APPENDICES

Appendix 1: Overview and comparison of Real Estate Certification Schemes

	Miljöbyggnad 3.0	BREEAM	LEED	"The Swan" Nordic Ecolabel ¹⁶	Miljöbyggnadsprogram SYD 2.0 ¹⁷
Type	Certificate	Certificate	Certificate	Certificate	Self-assessment Program
Background	Swedish Certification System from SGBC; Used for new and existing buildings and extensions; Used for residential and commercial buildings; Version 3.0 launched in 2017 and will be mandatory for new registrations starting January 1, 2018.	British Certification System; Adapted to Swedish regulations (BREEAM SE) used in Sweden since 2013; Used for new, refurbished and extension of existing buildings	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	Svanen is owned by "Ecolabelling Sweden", a Swedish state company responsible for both the Swan ecolabel and the EU Ecolabel (or EU Flower). Svanen was first released in 1989 by the Nordic Council of Ministers.	The Environmental Building Programme SYD was adopted by the City of Malmö and the City of Lund in 2009 as the municipalities' main tool to stimulate sustainable building in the region.
Certification levels	Gold Silver Bronze	Outstanding Excellent Very Good Good Passed	Platinum Gold Silver Certified	Certified level	A (best) B (very good) C (good); still above Swedish legal requirements
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> Energy Indoor Environmental Materials 	<ul style="list-style-type: none"> Management Health and Wellbeing Energy Transport Water 	<ul style="list-style-type: none"> Energy and atmosphere Sustainable Sites Location and Transportation 	<ul style="list-style-type: none"> General requirements¹⁸ Resource efficiency Indoor environment 	<ul style="list-style-type: none"> Energy Moisture Safety Indoor Environment Urban Biodiversity Building Acoustics

¹⁶ <http://www.svanen.se/en/About-us/The-swan-and-the-EU-Ecolabel/>

¹⁷ <http://www.miljobyggnadsprogramsyd.se/Om-programmet/> ;

After a change in legislation came into force on January 1, 2015, which prohibits special requirements, the municipalities have decided to phase out the program. No new landscaping agreement is signed with the Environmental Building Program as a condition. But older agreements apply.

¹⁸ Svanen criteria for Real Estate, available at: <http://www.svanen.se/Vara-krav/Svanens-kriterier/kriterie/?productGroupID=52>

		<ul style="list-style-type: none"> • Materials • Waste • Land Use and Ecology • Pollution • Innovation 	<ul style="list-style-type: none"> • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Chemical products, construction products and materials • Quality Management of construction • Quality and regulatory requirements • Instructions for residents and property managers • Point-score requirements (e.g. Energy contributions from local energy sources or energy recovery; Cement and concrete with reduced energy and climate impact; Ecolabelled construction products; Green initiatives, etc. 	<ul style="list-style-type: none"> • Traffic Noise
<p>Comparable Issues to reach M. Silver or BREEAM Very Good</p>	<p><u>Daylight:</u> Daylight factor of more than 1,2%</p> <p><u>Thermal Climate Summer and Thermal Climate Winter:</u> PPD smaller or equal to 15%.</p> <p><u>Moisture Prevention:</u> Moisture Proof design according to Bygga F</p> <p><u>Noise Protection:</u> equal to or 50%</p>	<p><u>Daylight:</u> is not a minimum requirement, at least 80% of the floor area is adequately daylight with an average daylight illuminance of 200 lux for 2650 hours per year. (they also have a daylight factor 2,1 and 2,2)</p> <p><u>Occupants Thermal Comfort:</u> is not a minimum requirement, to receive 1 credit PPD has to be</p>		<p><u>Minimum thresholds to receive the Swan certification:</u></p> <p>For apartment buildings at least 17 out of 44 possible points must be achieved.</p> <p>For small houses at least 16 out of 42 possible points must be achieved.</p> <p>For pre-school and school buildings at least 15 out of 39 possible points must be achieved.</p>	<p><u>Energy requirements for Environmental Class B:</u> - in addition to the <u>Swedish BBR the following applies:</u></p> <ul style="list-style-type: none"> • Swedish standard SS 24300-1 and SS 24300-2 • The energy use may not exceed 75% of the energy requirements in BBR <p><u>Moisture safety requirements</u> for Environmental Class B (e.g. The moisture</p>

	<p>above the Parameters Class B</p>	<p>assessed and cannot fall within levels defined as local dissatisfaction.</p> <p><u>Moisture Control:</u> is not a minimum requirement, Moisture safety planning according to Bygga F or equivalent.</p> <p><u>Acoustics:</u> no minimum requirement, for one credit all acoustic parameters for sound class C. For 2 credits, all acoustic parameters for Sound Class B.</p> <p><u>Avoidance of hazardous substances:</u> no minimum requirement, Construction Material Assessment System has been used and substances are documented</p>			<p>security analysis should be executed by a certified moisture expert.)</p> <p><u>Indoor environment requirements</u> (e.g. the air quality shall correspond to the category 2 when the outside air pollution is situated at level 2)</p> <p><u>Urban biodiversity requirements</u> (e.g. mandatory planning and design by a landscape engineer)</p> <p><u>Building acoustics requirements</u> (e.g. An acoustics expert will monitor the noise protection throughout the development stages)</p> <p><u>Traffic Noise requirements</u> (e.g. The outdoor noise shall range between 50 dBA and 65 dBA)</p>
<p>Performance display</p>		<p>☆☆☆☆☆☆ Unclassified ☆☆☆☆☆☆ Approved ☆☆☆☆☆☆ Good ☆☆☆☆☆☆ Very good ☆☆☆☆☆☆ Outstanding ☆☆☆☆☆☆ Excellent</p>			<p>Miljöbyggprogram SYD</p>

Appendix 2: Green Bond/Green Bond Programme External Review Form

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: The City of Malmö

Green Bond ISIN or Issuer Green Bond Framework Name: City of Malmö Green Bond

Review provider's name: Sustainalytics

Completion date of this form: 10 November 2017

Publication date of review publication: 10 November 2017

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to the City of Malmö Green Bond Framework, available at malmo.se/gronaobligationer and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

Proceeds of the Green Bonds will be used to finance or refinance expenditures in the areas of (i) Clean Transportation, (ii) Climate Change Adaptation, (iii) Green Buildings (Miljöbyggnad Silver, BREEAM-SE Very Good, BREEAM in-use Very Good or LEED Gold, and Svanen), (iv) Energy Efficiency Investments, (v) Environmentally Sustainable Management of Living Natural Resources, (vi) Pollution Prevention and Control, (vii) Renewable Energy, (viii) Sustainable Water and Wastewater Management.

All the eligible categories align with those recognized by the Green Bond Principles as having clear environmental benefits. Additionally, Sustainalytics is of the opinion that projects funded by the proceeds of the green bonds will positively contribute to the success of the City of Malmö's Environmental Programmes, which include ambitious environmental targets, and will contribute to advancing SDGs 6, 7, 11, 12, 13 and 15.

Sustainalytics considers that the credibility of the City of Malmö's Green Bond Framework is enhanced by the Municipality's Comprehensive Plan which highlights the city's policy priorities and strategies, primarily organized around the principles of sustainable development.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input type="checkbox"/> Other (please specify): Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The process for project evaluation and selection is conducted through the explicit collaboration of the business units, administrative and environmental departments of the City of Malmö. Sustainalytics considers that the required consensus between the municipality's decision-making bodies is likely to strengthen the impact of the use of proceeds, and views positively the fact that the City of Malmö's Environmental Department has veto capacity for the final approval of the eligible projects. This process is in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds of any issue under the Green Bond Framework will be credited to an earmarked account (the "Green Account"), which ensures strong monitoring and tracking of the use of proceeds. Additionally, the City of Malmö is committed to not allocate proceeds from the green account in temporary investments, ensuring that proceeds will be exclusively allocated to Eligible Projects. This is in line with market best practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in a systematic manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):
 The City of Malmö demonstrates a strong commitment to transparent reporting.

Allocation Reporting
 The municipality is committed to disclosing proceeds allocated for each large investment project, and in aggregated terms (per project category) for smaller projects. This information will be verified by the City of Malmö’s auditors.

Impact Reporting
 The municipality commits to providing examples of financed projects for each eligible category, and will report on key performance indicators (KPIs) in its yearly green bond report. Sustainalytics highlights the City of Malmö’s commitment to provide investors with comprehensive impact reporting and sees the level of detail brought by the Municipality as a best practice for the Nordic green bond market.

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): for large, stand-alone projects, Malmö will disclose the sum of allocated net proceeds to each project or asset; for small investment, the allocation of the green net proceeds will be disclosed on a category basis. |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
|--|--|

- Linkage to individual bond(s) Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings

Other ESG indicators (please specify): e.g. environmental certification of green buildings, energy consumption in MWh per year, carbon footprint in tons of CO₂/ year, % of energy use supplied by renewable energy, m² of remediated land, type of harmful chemicals removed from soil, reduction in waste volumes, m³ of treated wastewater / year, m³ of supplied fresh water / year, qualitative improvements in freshwater supply or wastewater/ stormwater management.

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): City of Malmö website: <http://malmo.se/>
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): allocation of proceeds

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://malmo.se/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

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SUSTAINALYTICS

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