


Second Party Opinion

Helsingborg Sustainability-Linked Bond Framework

Jan. 26, 2022

Helsingborg is a coastal municipality in the South of Sweden, the ninth-largest in the country with a population of 150,000. Since 2016, Helsingborg has been implementing a policy document called the Quality-of-Life Programme, aiming “to ensure sustainable development in a low-carbon environment, where public health is protected.” The city was awarded Sweden’s most environmentally friendly municipality five times, including 2017-2020.

In our view, Helsingborg’s Sustainability-Linked Bond Framework, dated September 2021, is aligned with:

-  Sustainability-Linked Bond Principles, ICMA, 2020

Issuer’s Sustainability Objectives

The City of Helsingborg wants to lead the transition to a sustainable and low-carbon society. For this purpose, it has set the target of achieving net-zero emissions by 2035 at the latest, which will help Sweden achieve its national net-zero objective by 2045.

In line with the Paris Agreement adopted by 196 parties in 2015, the City of Helsingborg has drafted a climate and energy plan to 2035, prioritizing six key areas of improvement:

- To reduce greenhouse gas (GHG) emissions in line with maintaining global warming to 1.5 degrees Celsius above preindustrial levels;
- To enhance the use of clean methods of transportation and travel, breaking the dependence on fossil fuels;
- To promote more sustainable and efficient consumption and production system based on the establishment of circular systems for resource use;
- To increase energy efficiency through the promotion of renewable and recycled energy;
- To establish and facilitate a sustainable municipal financial market; and
- To increase Helsingborg’s carbon absorption ability and capacity.

To this end, the municipality has developed a sustainability-linked bond framework to aid in aligning its climate and energy plan with its funding strategy.

Selected Key Performance Indicators (KPIs) And Sustainability Performance Targets (SPTs)

| KPI | SPT | Baseline | 2019 Performance |
|---|---|------------------------------------|---|
| Absolute emissions in tonnes of CO ₂ e | Decrease absolute CO ₂ e emissions annually to achieve 85% reduction by 2035 compared to emissions in 1990. The SPT trajectory (see table below) illustrates the annual SPTs available for securities issued under Helsingborg's Sustainability-Linked Bond Framework. | 1,031,474 CO ₂ e (1990) | 479,653 CO ₂ e (53% reduction) |

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SPT Trajectory

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Emissions target (tonnes of CO ₂ e) | 418,420 | 403,110 | 387,800 | 372,500 | 317,190 | 261,880 | 246,570 | 231,260 | 215,950 | 200,650 | 185,340 | 170,030 | 154,720 |
| Reduction on 1990 baseline (%) | 59 | 61 | 62 | 64 | 69 | 75 | 76 | 78 | 79 | 81 | 82 | 84 | 85 |

Second Party Opinion Summary

Selection of key performance indicators (KPIs)

Alignment  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

KPI 1 Absolute emissions in tonnes of CO₂e Not aligned Aligned **Strong** Advanced

Calibration of sustainability performance targets (SPTs)

Alignment  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

SPT 1 Decrease absolute CO₂e emissions annually to achieve 85% reduction by 2035 as compared to emissions in 1990. Not aligned Aligned **Strong** Advanced

The SPT trajectory illustrates the annual SPTs available for securities issued under Helsingborg's Sustainability-Linked Bond Framework.


Instrument characteristics

Alignment  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Instruments under the framework will be subject to a premium payable by the City of Helsingborg triggered by the failure to reach the SPT at the selected target observation date. The payable will fall into one of the following categories:

- A coupon step-up (specified in the final terms of each sustainability-linked bond issued) until maturity, or
- A one-time payment, payable at maturity, that will be specified in the final terms of each sustainability-linked bond.
- The framework clearly sets the fallback mechanism if the performance level against each SPT cannot be calculated, or if the issuer fails to publish the relevant information.

Reporting

Alignment  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Score Not aligned Aligned **Strong** Advanced

The Sustainability-Linked Bond Report updated on an annual basis will include up-to-date information on the selected KPI and SPTs, and may include, if applicable, information on the sustainability impact and related key actions undertaken that have contributed to the improvement.

Post-issuance review

Alignment




Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

The SPTs provided within the framework are given in absolute values (tonnes of CO₂e) and are directly comparable with Sweden's National Database for Emissions (SMED). The database is public and is updated and verified by SMED on an annual basis. If a recalculation of the SPTs is performed, an independent third party assigned by the City of Helsingborg will issue a verification certificate confirming any recalculations.

Framework Assessment

Selection of key performance indicators (KPIs)

The Principles make optional recommendations for stronger structuring practices, which inform our relevancy opinion as aligned, strong, or advanced. For each KPI, we consider how relevant the KPI is for sustainability by exploring the clarity and characteristics of the defined KPI; its significance for the issuer's sustainability disclosures; and how material it is to the issuer's industry and strategy.

 Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

City of Helsingborg has selected one environmental KPI. Achieving environmental sustainability is viewed by the municipality as a necessary condition to address other relevant challenges they face within the realm of social sustainability, and that are therefore out of scope for this framework.

| | | | | | |
|--------------|---|-------------|---------|---------------|----------|
| KPI 1 | Absolute emissions in tonnes of CO ₂ e | Not aligned | Aligned | Strong | Advanced |
|--------------|---|-------------|---------|---------------|----------|

We believe the clarity of the objective, baseline, and scope for the KPI selected by City of Helsingborg are strong. Furthermore, we believe the KPI is relevant for the regional government and for its climate and energy plan to 2035.


The objective, baseline, and applicable scope are clearly stated by the issuer (to achieve net-zero GHG emissions at the latest by 2035, calculated as CO₂e emissions in the geographical area of Helsingborg). The issuer specifies the target trajectory to achieve 85% reduction by 2035 compared to emissions in 1990. Additionally, for the remaining 15% emissions, they may consider the use of additional complementary actions to reach net-zero emissions, including carbon capture and storage, among others. Though the issuer does not state any intention to use carbon credits to mitigate the remaining 15% emissions not included in their reduction target, we note the risk that the complementary actions do not exclude using them to compensate emissions that are not reduced.

The data are collected from the national database for emissions presented by RUS, a body that supports the pursuit of Sweden's environmental goals at a regional, national, and local level. The data are based on Sweden's official emission statistics, which are reported to the United Nations' Climate Convention, following the publicly available 2006 IPCC methodology guidelines for National Greenhouse Gas Inventories. At the municipal level, emissions figures are available within the national database 18-20 months after the emissions are released.

In our view, considering its relevance to the local authorities and to the issuers' sustainability strategy, this KPI is directly linked to one of the most relevant and pressing sustainability issues both locally and globally, climate change mitigation, as well as being directly linked to the city's climate and energy plan to 2035 and to the Quality-of-Life Programme that city has been implementing since 2016.

Calibration of sustainability performance targets (SPTs)

The Principles make optional recommendations for stronger structuring practices, which inform our ambition opinion as aligned, strong, or advanced. We consider the level of ambition for each target by assessing its clarity and characteristics, how the issuer defines the target with reference either to its past performance, or to external or competitor benchmarks, and how it explains what factors could influence future performance.

 Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

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SPT 1 Decrease absolute CO₂e emissions annually to achieve 85% reduction by 2035 as compared to emissions in 1990.

Not aligned

Aligned

Strong

Advanced

We believe the ambition, clarity, and characteristics of the targets selected by the issuer are strong. Furthermore, the framework clearly outlines the strategy to reach the targets, providing relevant information on past and expected future performance, with an external benchmark.

The framework clearly outlines annual SPTs including the timeline for target achievement, the expected observation date, and the trigger events. The target is expressed in absolute values (GHG emissions level), which we view as a strength. We note that the observation date for each SPT is approximately one and a half years after the emissions have occurred, as at the municipal level, emission figures are available within the national database 18-20 months after these have been released to the atmosphere. Accordingly, the observation date for the 2023 emissions will be in 2025.

The issuer discloses historical performance since 1990 and forward-looking expected performance until 2035, committing to reduce CO₂e emissions at least at the same pace of historical performance, which we view as being in line with the principles.

City of Helsingborg benchmarks its targets against that of the 20 largest municipalities in Sweden. Although there is no common definition of targets across different municipalities, seven out of the 20 have absolute emissions targets for CO₂ emissions in the geographical area of their municipality. City of Helsingborg has recalculated the baselines to these seven municipalities to 1990, to make the information comparable. From the information provided, we conclude that the SPT trajectory defined by the issuer is among the most ambitious in the country. Furthermore, we believe the target selected will contribute to Sweden's target of achieving net-zero emissions by 2045, which we also see as a strong aspect of the SPT.


Finally, the strategy to reach the SPTs is outlined in the framework, focused on increasing the use of clean methods of public and private transportation; increasing renewable energy generation; implementing circular solutions to waste management, production and consumption and resource use; and investing in carbon capture solutions, among others.

SPT: Decrease absolute CO₂e emissions annually to achieve 85% reduction by 2035 as compared to emissions in 1990.

| | 1990 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|--------------------------------|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (baseline) | | | | | | | | | | | | | | |
| Tonnes of CO ₂ e | 1,031,474 | 418,420 | 403,110 | 387,800 | 372,500 | 317,190 | 261,880 | 246,570 | 231,260 | 215,950 | 200,650 | 185,340 | 170,030 | 154,720 |
| Reduction on 1990 baseline (%) | -- | 59 | 61 | 62 | 64 | 69 | 75 | 76 | 78 | 79 | 81 | 82 | 84 | 85 |

Instrument characteristics

The Principles require disclosure of the type of financial and/or structural impact involving trigger event(s), as well as the potential variation of the instrument's financial and/or structural characteristics.

 Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles

Helsingborg discloses under its Sustainability-Linked Bond Framework that instruments under the framework will be subject to a premium payable triggered by the observed performance against the stated SPTs. The payable will fall into one of the following categories:

- A coupon step-up (specified in the final terms of each sustainability-linked bond issued) until maturity, or

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- A one-time payment, payable at maturity, that will be specified in the final terms of each sustainability-linked bond.

The framework clearly sets the fallback mechanism if the performance level against each SPT cannot be calculated, or if the issuer fails to publish the relevant information. The first instance will be remediated by calculating the new performance from the two previous and consecutive performances. On the other hand, if the City of Helsingborg failed to fulfil its reporting commitments, it would result in a triggering event.

Further details of the structure of the triggering event, the premium, and the calculation methodologies will be included in the final terms of each sustainability-linked bond issued.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

-  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

Disclosure score

Not aligned

Aligned

Strong

Advanced


We consider City of Helsingborg's overall reporting practices to be strong

The Sustainability-Linked Bond Report updated on an annual basis will include up-to-date information on the selected KPI and SPTs, information about any recalculations to the methodology, and may include, if applicable, information regarding the sustainability impact and related key actions undertaken by the issuer to achieve the improvement.

Helsingborg's performance is calculated, measured, and presented in the publicly available national database for emissions by RUS. This information is updated and verified by SMED on an annual basis. Therefore, we believe the issuer fulfills the post-issuance external verification requirement of its performance against the SPTs for the KPI, as the SPT trajectory provided within the framework is given in absolute values (tonnes of CO₂e) and are directly comparable with the national database for emissions. Our view is further supported by the fact that, in the case of recalculations of the SPTs, a verification certificate confirming the recalculations will be issued by an independent third party, and that the certificate will be published together with the Sustainability-Linked Bond Report.

Post-issuance review

The Principle requires post-issuance review commitments including the type of post-issuance third-party verification, periodicity and how this will be made available to key stakeholders. Our opinion describes whether the documentation is aligned or not aligned with these requirements. Please note, our second party opinion is not itself a post-issuance review.

-  Helsingborg's Sustainability-Linked Bond Framework is aligned with this component of the Sustainability-Linked Bond Principles.

The data used by the City of Helsingborg come from RUS. The database is updated and verified on an annual basis by SMED 18-20 months after the emissions occurred. Considering the SPTs provided in the framework are given in absolute values (tonnes of CO₂e) and are thus directly comparable with the figures in the national database, we believe the issuer complies with this component of the Sustainability-Linked Bond Principles.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

Helsingborg's Sustainability Linked Bond Framework intends to contribute to the following SDGs:

KPI

Climate change mitigation



13. Climate action

* The KPI is likely to contribute to the SDGs.

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