

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Bond Framework

City of Bern

4 October 2024

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated

- Green bonds

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

Scope of verification

- City of Bern Green Bond Framework (as of Sept. 27, 2024)
- City of Bern Selection Criteria (as of Sept. 27, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

The City of Bern (“the Issuer”) commissioned ISS-Corporate to assist with its green bonds by assessing three core elements to determine the sustainability quality of the instruments:

- City of Bern’s Green Bond Framework (as of Sept. 27, 2024), benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
- The selection criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
- Consistency of green bonds with the City of Bern’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

## CITY OF BERN OVERVIEW

The City of Bern is the capital city and political center of Switzerland. International organizations and enterprises operate here, making it a key area for research and science. The city has an estimated population of 145,000.

The Issuer is aligning its current and future sustainability efforts under a unified framework known as the Sustainable Development Framework Strategy RAN2030. This strategy is based on the 2030 Agenda and the U.N.'s Sustainable Development Goals (SDGs). The City of Bern has formulated its own sustainability goals in line with the SDGs, which consider the cultural context of Switzerland, the particular challenges in the City of Bern and the city's scope for action. The strategy focuses on key areas of action aimed at promoting social, economic and environmental sustainability in all aspects of urban life: social cohesion and equal opportunities; public spaces and biodiversity; climate protection and climate adaptation; ecological, social, and innovative business location; municipal finances; and participation and partnerships.

As part of this strategy, the Issuer is committed to achieving the globally binding Paris Agreement goals of 2015, with a focus on transitioning to renewable energy sources. The climate regulations, which have been in effect since Sept. 1, 2022, form the basis for its activities and offerings. The Energy Master Plan, Energy and Climate Strategy 2025, and associated planning instruments, such as the heat supply map and solar cadastre, provide direction to their efforts.

### *ESG risks associated with sub-sovereign Issuers*


ISS ESG's Country Rating identifies sustainability risks in the following key areas for Switzerland:<sup>1</sup> political system and governance, human rights and fundamental freedoms, social conditions, natural resources, climate change and energy, and product and consumption.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

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<sup>1</sup> Please note that this is not an Issuer-specific assessment.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>2</sup>
<p><b>Part I:</b></p> <p><b>Alignment with GBP</b></p>	<p>The Issuer has defined a formal concept for its green bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP.</p>	<p><b>Aligned</b></p>
<p><b>Part II:</b></p> <p><b>Sustainability quality of the selection criteria</b></p>	<p>The green bonds will (re)finance the following eligible asset categories:</p> <p>Green categories: Renewable Energy, Clean Transportation and Green Buildings.</p> <p>Product and/or service-related use of proceeds categories<sup>3</sup> individually contribute to one or more of the following SDGs:</p>  <p>The environmental and social risks associated with the use of proceeds categories are managed.</p>	<p><b>Positive</b></p>
<p><b>Part III:</b></p> <p><b>Consistency of green bonds with City of Bern's sustainability strategy</b></p>	<p>The key sustainability objectives and the rationale for issuing green bonds are clearly described by the Issuer. All project categories considered are in line with the Issuer's sustainability objectives.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>

<sup>2</sup> The evaluation is based on the City of Bern's Green Bond Framework (Sept. 27, 2024), on the analyzed selection criteria as received on Sept. 27, 2024.

<sup>3</sup> Renewable Energy, Clean Transportation and Green Buildings.

## SPO ASSESSMENT

### PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

This section evaluates the alignment of the City of Bern’s Green Bond Framework (as of Sept. 27, 2024) with the GBP.

GBP	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by the City of Bern’s Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The Issuer’s green categories align with the project categories as proposed by the GBP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by the City of Bern’s Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy.</p> <p>The Issuer clearly defines exclusion criteria for harmful project categories. Additionally, the Issuer defines responsibilities in the process for project evaluation and selection and is transparent about it. The Issuer involves various stakeholders in this process and identifies alignment of its Green Bond Framework and green projects with reference to green standards, in line with best market practice.</p>

<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by the City of Bern’s Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and are managed per bond (bond-by-bond approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 24 months.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by the City of Bern’s Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Bern has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting, in line with best market practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

### A. CONTRIBUTION OF THE GREEN BONDS TO THE U.N. SDGs<sup>4</sup>

Sub-sovereigns can contribute to the achievement of the SDGs by investing in specific services/products that help address global sustainability challenges, and by being responsible actors, working to minimize negative externalities in their operations along the entire value chain.




#### 1. Products and services

The assessment of UoP categories for investing in products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for investing in specific products and services is displayed on a three-point scale:



Each of the green bonds' use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Renewable Energy</b></p> <p><i>Projects related to production, transmission, distribution and storage of energy from renewable sources:</i></p> <ul style="list-style-type: none"> <li>Financing of photovoltaic systems</li> </ul>	<b>Contribution</b>	 
<p><b>Renewable Energy</b></p> <p><i>Projects related to production, transmission, distribution and storage of energy from renewable sources:</i></p>	<b>Contribution</b>	

<sup>4</sup> The impact of the UoP categories on the SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.



- *Increasing the share of renewable energy in the heat supply by expanding district heating.<sup>5</sup> Pilot projects relating to carbon capture are also to be implemented.<sup>6</sup>*

**Clean Transportation**

*Projects related to acquisition, operation and maintenance of fully electrified public transportation:*

- *Switch to trams and electric buses powered by renewable electricity*

**Green Buildings**

*Environmentally friendly construction projects for new buildings and renovations that meet one of the following standards:*

- *Minergie-P-ECO*
- *Minergie-A-ECO*
- *PlusEnergyBuilding (PEB)<sup>7</sup>*
- *SIA Energy Efficiency Path (SIA 2040)*

**Green Buildings**

*Environmentally friendly construction projects for new buildings and renovations that meet one of the following standards:*

- *Sustainable Building Standard Switzerland SNBS (Gold)*

**Contribution**



**Contribution**



**Contribution**



<sup>5</sup> Limited to district heating and cooling systems using at least 50% renewable energy (geothermal, biomass energy and biomethane energy source) or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat. Uncertified wood-based biomass and food-based biomass are excluded.

<sup>6</sup> CO<sub>2</sub> emissions are produced when waste is incinerated. These are to be reduced through control, heat recovery, storage, substitution and carbon capture and storage, in accordance with the national thrust and agreement between the Association of Swiss Waste Treatment Plant Operators and the Federal Office for the Environment.

<sup>7</sup> A PlusEnergyBuilding (PEB) is an optimally insulated building (at least Minergie-P/passive house or comparable construction standard for new buildings) that generates more energy (at least +1 kWh/m<sup>2</sup>a) than it needs on average for heating, hot water and electricity over the year by integrating photovoltaic systems and thermal solar collectors. The PEBs supply the surplus energy as electricity or heat to the public grid or to third parties. PEB is externally audited.

## B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the selection criteria against issuance-specific KPIs. All of the assets are/will be located in Switzerland.

### ASSESSMENT AGAINST KPIs

#### All categories

#### Biodiversity

The City of Bern has policies in place ensuring biodiversity is considered when it comes to public procurement.



The City of Bern has adopted local legislations aimed at environmental protection. As of February 2022, a harmonized and modernized public [procurement law](#) applies to the Canton of Bern and its municipalities across Switzerland. This legal framework aims to enhance sustainability in public procurement. Specifically, the procurement law has been aligned with the IVöB 2019, ensuring that both ecological and social sustainability criteria must be considered in public procurement in addition to economic criteria. The city's [biodiversity policy](#) focuses on preserving near-natural and unsealed areas, safeguarding areas of particular ecological value, preserving and enhancing habitats, preserving and promoting endangered species, coordinating and supporting the implementation of measures, and promoting knowledge of nature and facilitating nature experiences. As outlined in Article 3 of the procurement law, every procurement must include ecological and social criteria, even if not explicitly required in technical specifications or suitability requirements. Furthermore, a minimum 10% weighting for sustainability factors must be applied when awarding contracts if these criteria are not included in the technical requirements.



The City of Bern has policies in place ensuring environmental impact assessments are performed. The City of Bern is committed to complying with and enforcing Swiss regulations on its projects, which cover ESG issues. For example, the Federal Act on the Protection of the Environment mandates the evaluation of potential environmental effects for projects that may pose significant risks to natural ecosystems. In accordance with [Article 10](#) of the act, an environmental impact assessment is required for any planned construction, modification or development of installations that could cause substantial pollution. The environmental impact assessment ensures that authorities assess the environmental implications of projects at the earliest possible stage, identifying necessary mitigation measures to ensure compliance with environmental regulations.

#### Community dialogue

The City of Bern has established a robust process to identify and manage potential controversies associated with investments.



The process is transparent and involves public participation. According to the city's regulations, both the annual budget and any expenditures exceeding CHF 7 million are subject to public approval. Additionally, mandatory referendums are required for numerous transactions, as stipulated by Article 36 of the city's [Municipal Code](#). For expenditures above CHF 2 million, an optional referendum is held, as outlined in Article 37. These measures ensure that potential controversies, including those raised by environmental or interest groups, are addressed transparently and allow stakeholders to voice their concerns effectively.

The City of Bern has policies and measures in place ensuring that investments financed under this Framework feature community dialogue as an integral part of the planning process.

The City of Bern emphasizes community participation in its projects, ensuring that the population is actively involved in decision-making processes through a variety of approaches. Based on the Municipal Code, the population has a right to information (Article 30) and a right to petition (Article 31). The participation of the population is further ensured by legal requirements outlined in Article 32.



The city regularly organizes consultations where citizens, interest groups and organizations can comment on planned projects, providing an opportunity to directly influence decisions before they are finalized. Additionally, the City of Bern is increasingly relying on digital participation platforms, such as [mitwirkung.bern.ch](https://mitwirkung.bern.ch), to allow citizens to contribute their opinions, ideas and suggestions on specific projects or topics. This ensures broad public participation.

For specific projects or topics, citizens' councils or working groups, made up of representatives from the population, are often established. These groups work closely with the city administration and experts to help develop solutions or recommendations. Furthermore, the city organizes workshops, information events and dialogue forums where citizens can learn about projects and exchange ideas directly with experts and the administration. These forums provide an open environment for expressing concerns and ideas.

In addition, the city facilitates neighborhood work through local offices, which serve as links between the city administration and residents. These offices organize local events, surveys and consultations to ensure that the views of people from various districts are considered. The city also collaborates closely with associations, NGOs and other civil society organizations, ensuring that the

interests of different population groups are represented in the planning process.

Through these efforts, the City of Bern aims to ensure broad, transparent and representative participation of its population, leading to democratically legitimized decisions that reflect the needs and wishes of residents.

**Circular economy/waste management**

The City of Bern has policies and measures in place ensuring end-of-life commissioning, take back and recycling of products. In the City of Bern, the legal regulations for the commissioning, return and recycling of products at the end of their life cycle are integrated into the city's waste management and recycling systems. The City of Bern operates processes covering various aspects of sustainable product disposal and recycling.

The city maintains several facilities dedicated to waste disposal and recycling. These facilities include waste depots for bulky items, collection points and recycling services for both household and business waste. Specific items, such as batteries, electronic devices and large appliances, can be dropped off at these depots to ensure proper recycling and disposal.



The legal foundation for these processes is rooted in the Abfallverordnung (Waste Ordinance) and [Abfallreglement](#) (Waste Regulations) of City of Bern, which align with national Swiss waste management laws such as the [Waste Ordinance](#). The national law states that cantons shall ensure that the recoverable parts of municipal waste are collected separately and recycled. These regulations ensure that all waste, including end-of-life products, is handled in an environmentally responsible manner.

The City of Bern also promotes the extension of product life cycles through initiatives like the "Reparaturführer" (repair guide), which encourages residents to repair items rather than discard them. This approach not only reduces waste but also fosters a more circular economy by encouraging the reuse and repair of products.

The City of Bern has policies and measures in place ensuring the reduction of hazardous waste, pollution prevention and improved air and water quality. These measures are based on Swiss federal laws and cantonal regulations, ensuring environmental sustainability.



The City of Bern's waste management system is guided by the Swiss Waste Ordinance, which aims to reduce waste volumes and promote recycling. Waste separation is mandatory, requiring citizens to sort paper, glass, plastics, metals, organic waste and hazardous materials such as batteries, paints and medications. Recycling centers are available, where various types of waste can

be dropped off free of charge, and specialized collection points exist for hazardous materials like chemicals and electronic devices to minimize environmental harm.

In terms of wastewater treatment, the City of Bern adheres to the Swiss [Waters Protection Act](#). The city's wastewater is treated in modern facilities, such as the Arabern plant, which uses mechanical, biological and chemical processes to remove pollutants before discharge. The quality of treated wastewater is continuously monitored to ensure compliance with pollutant limits set forth by the Waters Protection Act and related ordinances.

Regarding air pollution control and the reduction of NO<sub>x</sub> and SO<sub>x</sub> emissions, the City of Bern implements the Swiss [Ordinance on Air Pollution Control](#), which sets strict pollutant limits. The city promotes public transportation, electric mobility and cycling infrastructure to reduce traffic-related emissions. Additionally, energy efficiency regulations for buildings and industries encourage the use of renewable energy and advanced technologies to reduce air pollutants.

To further reduce hazardous waste, the City of Bern runs awareness campaigns to inform citizens about proper hazardous material disposal. Economic incentives are also in place for companies investing in environmentally friendly technologies and processes.

### Labor, health and safety



All assets or projects (re)financed are or will be located in the City of Bern, Switzerland, where high [labor](#), health and [safety](#) standards are ensured by the relevant national legislation.

### Users' safety for products



The City of Bern, like the rest of Switzerland, operates under a legal framework that ensures high health and safety standards for consumers of products. These regulations are grounded in Swiss federal laws and international standards, which are applied across all cantons and municipalities.

The framework includes the [Construction Products Ordinance](#), which addresses mechanical strength, stability and fire safety in building products. It also encompasses regulations focused on health, hygiene and environmental protection in construction, covering areas such as noise protection and hygiene. Energy efficiency and heat retention are prioritized under the energy savings and heat retention guidelines, while the Minergie standard promotes the sustainable use of natural resources. Additionally, accessibility and safety in use are ensured through regulations that govern the accessibility and safe use of buildings and public spaces.

## Inclusion

The City of Bern has implemented various measures and programs to promote the professional and social inclusion of disadvantaged population groups, such as migrants and the long-term unemployed. These initiatives aim to ensure non-discriminatory access to services and opportunities and fairly priced or subsidized participation for socially disadvantaged groups.

One key area is labor market integration. The city offers counseling services and job coaching, providing job seekers with personalized support during their job search, including assistance from job coaches who guide applications and establish connections with potential employers. The City of Bern also provides transitional job opportunities, enabling individuals to gain work experience and enhance their chances of securing regular employment. Partnerships with local companies promote the creation of internships and apprenticeships, while employers hiring socially disadvantaged individuals receive targeted support measures.



In the field of education and further training, language support is a central component for migrant integration, with the city offering German language courses and specialized programs aimed at improving workplace language skills. Additionally, the City of Bern supports vocational training initiatives designed to enhance the qualifications of job seekers, particularly those who have not completed formal education or hold foreign qualifications.

The city also promotes social integration through various projects, including initiatives aimed at easing the transition for migrants settling in the City of Bern. These initiatives include leisure activities, sponsorship programs and advisory centers tailored to the needs of migrants. The Neighborhood Work Program fosters community networking, providing opportunities for marginalized groups to become socially involved. The City of Bern collaborates with social institutions offering specific programs such as assisted living projects and socio-educational support for the socially disadvantaged.

Targeted programs are available for specific groups, such as young people, where apprenticeship placement, career preparation and mentoring programs help ease the transition from school to the workforce. For people with disabilities, the city provides tailored support for labor market integration and adjusts working conditions to accommodate their needs. The long-term unemployed benefit from vocational reintegration programs aimed at facilitating their return to the job market.

## Quality management



The City of Bern, in alignment with national regulations, has established its own initiatives and standards to ensure the quality of municipal services. One key element is the development of guiding principles for these services, which

emphasize adherence to quality standards, citizen engagement and operational efficiency. These guiding principles set the foundation for quality requirements across municipal services and are regularly reviewed to maintain their relevance and effectiveness.

Additionally, the City of Bern has achieved ISO certifications in various areas, including ISO 9001:2015 for quality management, ISO 14001:2015 for environmental management and ISO 45001:2018 for occupational health and safety management. These certifications demonstrate the city's commitment to maintaining high standards in its operations, ensuring quality management systems are in place to meet the needs of its citizens and regulatory requirements.

### Ethics

The City of Bern is committed to ethical practices and anti-corruption measures. It promotes transparency and accountability by making public information on tenders, contracts and decision-making processes. Politicians and municipal employees must disclose potential conflicts of interest to ensure decisions are made in the public interest.



The city has an internal audit department to regularly check for irregularities and enforce compliance with clear [codes of conduct](#), particularly regarding [public procurement](#). Regular training and workshops raise awareness among employees about corruption prevention, while a whistleblowing system allows anonymous reporting of suspicious activities.

The City of Bern ensures transparent tendering for public contracts and conducts random checks on procurement processes to prevent undue influence. It works closely with the judiciary and supervisory authorities and follows international anti-corruption standards, including OECD guidelines and Swiss anti-corruption laws. External supervisory authorities or auditing bodies also review municipal processes to ensure ethical integrity.

### Water



The City of Bern follows strict national and cantonal regulations for water management, focusing on sustainable water extraction, supply and treatment. Water management is governed by the Swiss [Waters Protection Act](#), which ensures the protection of water bodies and the sustainable use of surface and groundwater resources, with a priority on ecosystem preservation.

At the cantonal level, Bern's [Water Supply Ordinance](#) defines local processes, including permits for water extraction and measures to safeguard water resources. The municipal water supplier, Energie Wasser Bern, oversees water supply and distribution, ensuring that drinking water adheres to Switzerland's

high-quality standards. The city's efforts aim to ensure sustainable water use and protect against water scarcity through responsible water impact assessments and resource management strategies. In addition, The City of Bern has established development goals for its watercourses, as outlined in its Watercourse Development Concept, aimed at promoting both environmental protection and sustainability. These goals include preserving natural or near-natural watercourses, upgrading impaired watercourses to near-natural conditions, enhancing canalized stretches to improve both design and ecological value where possible and necessary, reopening and revitalizing dammed streams to exploit their ecological potential, removing concrete beds to restore natural watercourse characteristics, and expanding bank areas as much as possible in accordance with the Waters Protection Act to increase space for water bodies.

### Exclusion criteria

The City of Bern invests very locally in its own municipal area. Construction activities are subject to the aforementioned federal and cantonal requirements. In financial terms, the City of Bern only invests in projects that meet political and social requirements. Investments are reported in the city's annual financial statements.

The City of Bern systematically excludes the following expenses and assets:

- Exploration and production of fossil fuels
- Alcohol beverage and tobacco production, distribution or trade
- Gambling activities
- Nuclear energy
- Production of controversial weapons
- Deforestation and degradation of forests
- Production or trading of any product or activity deemed illegal under Swiss federal or cantonal law or subject to international bans



## PART III: CONSISTENCY OF GREEN BONDS WITH CITY OF BERN'S SUSTAINABILITY STRATEGY

*Key sustainability objectives and priorities defined by the Issuer*

TOPIC	ISSUER APPROACH
<p><b>Strategic ESG topics</b></p>	<p>The Issuer aligns its actions with the principles of sustainable development, guided by the Sustainable Development Framework Strategy 2023 (RAN 2030). This strategy serves as the strategic foundation and focuses on six action areas designed for social, economic and environmental sustainability across all aspects of urban life.</p> <p>The six key areas are:</p> <ul style="list-style-type: none"> <li>▪ Social cohesion and equal opportunities</li> <li>▪ Public spaces and biodiversity</li> <li>▪ Climate protection and climate adaptation</li> <li>▪ Ecological, social and innovative business location</li> <li>▪ Municipal finances</li> <li>▪ Participation and partnerships</li> </ul>
<p><b>ESG goals/targets</b></p>	<p>To achieve its strategic ESG topics, the Issuer aims to reduce CO<sub>2</sub> emissions from 4.4 metric tons per capita per year (as of 2019) to one metric ton by 2035. The reduction targets are outlined in City of Bern's climate regulations:</p> <ul style="list-style-type: none"> <li>▪ 3.14 metric tons by 2025</li> <li>▪ 1.86 metric tons by 2031</li> <li>▪ 1.00 metric tons by 2035</li> <li>▪ 0.60 metric tons by 2041</li> </ul> <p>This goal has not been verified by the SBTi or SBTN. It will be published on the city's <a href="#">website</a> by the end of 2024.</p>
<p><b>Action plan</b></p>	<p>The Issuer has implemented measures outlined in its energy and climate strategy to achieve its goals. These measures include:</p> <ul style="list-style-type: none"> <li>▪ Improving the district heating network within the city.</li> <li>▪ Replacing heating systems that use fossil fuels with better thermal insulation and more climate-</li> </ul>

	<p>friendly heating systems, such as heat pumps powered by renewable energy.</p> <ul style="list-style-type: none"> <li>▪ Developing a project called "Sunraising," which operates on a crowdfunding model. Interested parties can finance a solar installation and receive the amount of green electricity produced for 20 years.</li> <li>▪ Converting bus operations to run on 100% renewable energy sources.</li> <li>▪ Constructing new buildings as energy-plus buildings where feasible.</li> </ul> <p>These initiatives are aimed at reducing energy consumption and CO<sub>2</sub> emissions.</p>
<p><b>Climate transition strategy</b></p>	<p>The goals above align with the Paris Agreement, which Switzerland and nearly 200 other countries have supported.</p> <p>To achieve this, the City of Bern is focusing on key areas:</p> <ul style="list-style-type: none"> <li>▪ Improving city-compatible and climate-friendly mobility</li> <li>▪ Supporting sustainable and regional nutrition</li> <li>▪ Improving urban climate and adaptation measures in residential and public spaces</li> <li>▪ Developing and implementing a strategy for reducing CO<sub>2</sub> emissions, including building renovation, heat supply, renewable energy and climate adaptation</li> </ul> <p>These efforts are part of the broader RAN 2030 framework aimed at transitioning to a low-carbon and climate-resilient city.</p>
<p><b>Sustainable Development Goals agenda</b></p>	<p>The Issuer has a framework in place, known as RAN 2030, to implement the 2030 SDGs Agenda. Progress will be tracked annually and reported on its <a href="#">website</a>, with the first update expected at the end of 2024.</p>
<p><b>ESG risk and sustainability strategy management</b></p>	<p>Throughout project planning and later during project control, risks are identified and managed. ESG risks are assessed by the city administration in accordance with relevant national and local regulations, such as the city's climate policies and internal administrative</p>

	<p>principles. The Issuer is committed to managing the eligible projects financed by green bond issuances, ensuring compliance with Swiss regulations. These regulations encompass a range of ESG issues.</p> <p>The Sustainable Development Framework Strategy is overseen by the Office for Environmental Protection, while the ESG Committee is responsible for supervising ESG topics.</p>
<p><b>Issuer ranking against international indexes</b></p>	<ul style="list-style-type: none"> <li>▪ Human Development Index: 1, in 2022</li> <li>▪ Corruption Perception Index: 6, in 2023</li> <li>▪ Global Peace Index: 6, in 2024</li> </ul>
<p><b>Sustainability reporting</b></p>	<p>There is no information available on whether the Issuer currently follows relevant ESG reporting guidelines. However, the Issuer confirmed that it could consider them in the future.</p>
<p><b>Industry associations, collective commitments</b></p>	<p>The Issuer is part of RAN 2030 and various international city partnerships supported by the United Nations, including ICLEI — Local Governments for Sustainability and UN-Habitat. The city is also considering applying for long-term membership in the UNESCO Creative Cities Network and the United Nations Office for Disaster Risk Reduction.</p>
<p><b>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</b></p>	<p>-</p>

*Rationale for issuance*

The City of Bern has established a Green Bond Framework to support sustainable development and offer investors the chance to participate in environmental protection. Green bonds under this Framework are used to finance or refinance eligible green projects, including Renewable Energy, Clean Transportation and Green Buildings, all aimed at providing environmental benefits.

**Opinion:** *The key sustainability objectives and the rationale for issuing green bonds are clearly described by the Issuer. All project categories financed are in line with the Issuer's sustainability objectives.*

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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

The City of Bern commissioned ISS-Corporate to compile a green bonds SPO. The second-party opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and assessing the sustainability credentials of its green bonds, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles, as administered by the International Capital Market Association (as of June 2021 with June 2022 Appendix 1)

### ISSUER'S RESPONSIBILITY

The City of Bern's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risk management at the Framework level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the green bonds to be issued by the City of Bern has been conducted based on proprietary methodology and in line with the GBP.

The engagement with the City of Bern took place in September and October 2024.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so that investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

For more information on SPO services, please contact: [SPOsales@iss-corporate.com](mailto:SPOsales@iss-corporate.com).

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