

## Green Bonds Framework

8 March 2018

### 1. BACKGROUND AND INTRODUCTION

As a long term property owner it is a success factor for Kungsleden that sustainability permeates the company and is an integral part of our business. Sustainability is therefore included in our vision: we create attractive and sustainable places that enrich people's working days. A successful sustainability program ensures long-term competitiveness by protecting and strengthening the brand, attracts and retains employees, and increases profitability. Our sustainability goals include five areas: environment, diversity, social responsibility, business ethics, and health and safety.

As part of Kungsleden's long-term goals to actively reduce our use of finite resources and reduce our negative environmental impact, ambitious goals have been set such as reduced energy usage and certification of the property portfolio. The goal is that in 2020, the property portfolio will use 20 per cent less energy compared to 2014 and that 50 per cent of the portfolio will be certified. Our certification strategy also implies an ambition that 100 per cent of the portfolio shall be certified at the end of 2025. Kungsleden will strive to finance all green assets with green financing.

Kungsleden's vision is that the company in 2020 provides the most attractive work place with an efficient organization and motivated employees that create good results. This is important in order to attract, recruit and retain the skilled employees needed for the business. Diversity has for long been a key focus area and as recognition of this Kungsleden has been assigned AllBrights Award for being Sweden's most egalitarian company.

Kungsleden supports UN Global Compact and reports sustainability work in accordance with the Global Reporting Initiative (GRI) annually. Kungsleden also reports to the Global Real Estate Sustainability Benchmark (GRESB) to ensure a transparent accounting and to allow for an objective comparison with other real estate companies.

## 2. USE OF PROCEEDS

“**Eligible Projects**” means a selected pool of assets that are funded, in whole or in part, by Kungsleden and that promote the transition to low carbon and climate resilient growth as determined by Kungsleden and in line with Kungsleden’s Sustainability policy and strategy.

Eligible Projects:

- New and existing commercial properties that have or will have a certification from:
  - LEED with a minimum certification level of at least Gold and at least 70 per cent of the possible points within the energy category, or
  - BREEAM or BREEAM In-use with a minimum certification level of at least Very Good and at least 70 per cent of the possible points within the energy category, or
  - Miljöbyggnad with a minimum certification level of at least Silver, or
  - EU Green Building
  
- Major renovation of commercial properties leading to a reduced energy use per year on a m<sup>2</sup> basis of at least 25 per cent.
  
- Energy efficiency projects leading to a reduction of energy use of at least a 25 per cent.
  
- Renewable energy (solar, geothermal and wind power).
  
- Eco-efficient and/or circular economy adapted products, production technologies and processes including environmentally smart use of building materials
  
- Clean transportation infrastructure for electric cars.

Kungsleden’s Green Bonds will not finance fossil fuel generation projects.

Kungsleden’s Green Bonds can be used to finance new Eligible Projects and to refinance existing Eligible Projects in accordance with the Green Bonds Framework<sup>1</sup>. The division of the allocation of Green Bond proceeds between new projects and refinancing will be included in Kungsleden’s annual Green Bond Investor Letter (see section 5).

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<sup>1</sup> New projects are defined as projects that have been finalized or acquired within one year before the time of approval by the Kungsleden’s Green Bond Committee and forward.

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## **3. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Eligible Projects are evaluated and selected by Kungsleden's Green Bond Committee. The Green Bond Committee consists of Chief Investment Officer, Sustainability Manager and Treasurer. The Green Bond Committee approves Eligible Projects in consensus (i.e. both departments have a veto).

## **4. MANAGEMENT OF PROCEEDS**

An amount equal to the net proceeds of the issue of the Green Bonds will be credited to a Special Account that will support Kungsleden's Eligible Projects as defined below. As long as the Green Bonds are outstanding and the Special Account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the Special Account and added to Kungsleden's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects. Until disbursement to Eligible Projects, the special account balance will be placed in liquidity reserves.

If, for any reason, a financed Eligible Project no longer meets the eligibility criteria, it will be removed from the pool of projects financed with proceeds from Kungsleden's Green Bonds.

## **5. REPORTING**

To enable investors to follow the development and provide insight to prioritised areas, Kungsleden will provide an annual Green Bond Investor Letter to investors including:

- a) a list of the all projects financed including allocated amount, a brief description and expected impact;
- b) information about the division of the allocation of Green Bond proceeds between new projects and refinancing;

Kungsleden recognises the importance of transparency and impact reporting. The ambition is to include information in the Green Bond Investor Letter about the type and level of certification, energy use and CO<sub>2</sub> emissions when relevant as well as other environmental benefits when available.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Green Bond Investor Letter will be reviewed annually by Kungsleden's external auditor. The Investor Letter and the opinion of the external auditor will be made publically available on Kungsleden's web page.

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Kungsleden will have its Green Bonds Framework reviewed by the Centre for International Climate and Environmental Research – Oslo (CICERO) who will issue a Second Opinion. The Second Opinion as well as the Green Bonds Framework will be made publically available on Kungsleden's web page.