Impact Report 2020

Vasakronan

Impact Report – green financing

Vasakronan issued the world's first green corporate bond in November 2013, and remains the largest issuer of green corporate bonds in Sweden. Since 2018, Vasakronan's framework has included all debt instruments, rather than just bonds, where funds raised are earmarked for green investments. The framework has been evaluated by the Center for International Climate Research (CICERO) with the highest rating, Dark Green. In 2018, Vasakronan issued the world's first green commercial paper.

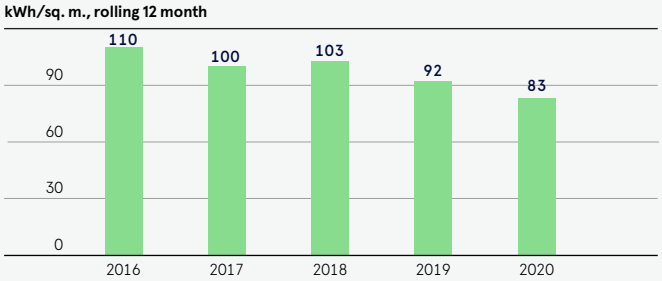
Properties account for just over 30% of energy consumption in Sweden. Continuing the work on reducing energy consumption in our properties is therefore self-evident to us. Through investments and close collaboration with our tenants, we have managed to reduce energy consumption by 61% since 2009. We also work with producing renewable energy on site and at the end of the year 71 solar photovoltaic systems were in operation.

Large amounts of construction materials are used in new construction, redevelopment and leasehold improvements of properties. The materials used in our construction projects cause environmental and climate impact when they are extracted and produced and when they are transported to our construction sites. Therefore, it is essential to reduce the amount of materials and to opt for reused materials or materials produced from renewable or recycled products to a larger extent. In addition, we need to ensure that the materials used do not contain hazardous substances that are spread into indoor environments or into the environment outside our buildings. That is why all the materials used in our buildings are always evaluated and documented. The Byggvarubedömningen system is used in this work.

New construction and redevelopment projects also lead to considerable construction and demolition waste. A great deal of it is not recycled but goes straight to incineration or landfill. As property owners, we also take care of large amounts of waste from our tenants' operations. Even if we have very little influence on the type and amount of waste that arises in our tenants' operations, we are the ones who determine how well the waste is sorted since we are responsible for the waste recycling facilities in the buildings. We also have requirements for sorting in our leases. The EU's waste hierarchy guides our work to reduce environmental impact both from construction waste and our tenants' waste. The goal is to minimise landfill and incineration and to increase the proportion that is recycled or reused.

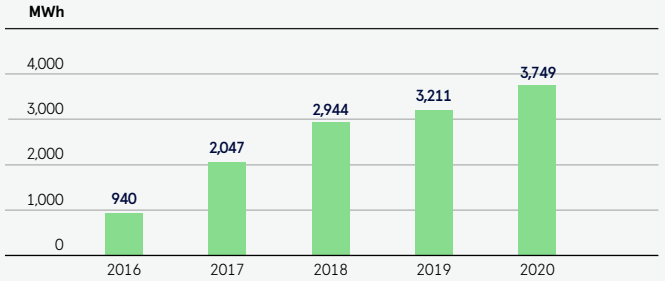
Reducing water consumption is an important issue from a global and a local perspective. Vasakronan uses municipal water in our regions. In Uppsala, one of our four operating areas, the municipality has indicated that there is a water

Energy intensity



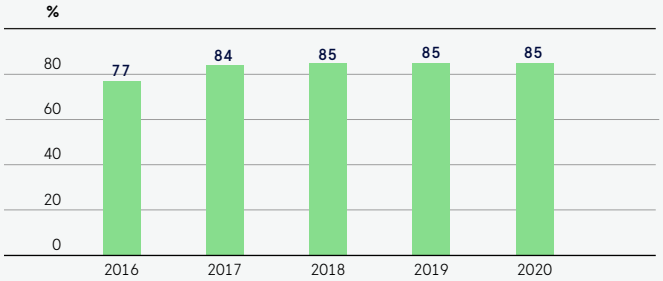
In 2020, energy intensity averaged 83 kWh/sq. m.

On-site produced electricity



A total of 3,749 MWh of electricity was produced from solar photovoltaic systems during the year.

Environmental certifications



At the end of the year, 85% of our property portfolio was environmentally certified.

shortage. That is why we are working continuously, in Uppsala as well as in our other areas, with monitoring and implementing cost-effective measures to reduce consumption. Low water consumption is also a prerequisite for environmentally certifying buildings with high ratings.

Our efforts to reduce our energy consumption and phase out fossil fuel from the energy supply to our properties and vehicles have reduced carbon emissions in scopes 1 and 2 by close to 90% since 2006. For several years there has also been a long-term and systematic effort to reduce scope 3 emissions, primarily in construction and how our tenants use premises.

In 2018, Vasakronan had its climate targets evaluated by the Science Based Target initative, who confirmed that they were far more ambitious than required to be in line with the science. In the end of 2019, the long-term climate target was raised to being climate-neutral across the entire value chain by 2030. A road map to reach this target has also been developed, with a description of what is included in the target, how it will be achieved and how any remaining emissions will be compensated to achieve neutrality.

A company-wide business plan is developed every year, with annual financial, environmental and social targets. For more information on our environmental targets for 2020 and how well we achieved them, refer to page 173 in the 2020 Annual Report.

Green financing

Of bonds issued in 2020, 96% were green bonds. Green bonds totalling SEK 11.8 billion (13.4) have been issued, making Vasakronan the Nordic region's largest issuer of green corporate bonds. The total volume of green bonds and commercial paper outstanding at year end was SEK 34.9 billion (25.8), equivalent to 50% (39) of the total interest-bearing liabilities. Green bonds are now issued in six currencies: SEK, NOK, EUR, JPY, AUD and USD. At year end, green assets amounted to SEK 53.8 billion (33.3), providing SEK 18.9 billion (7.6) in remaining green borrowing capacity.

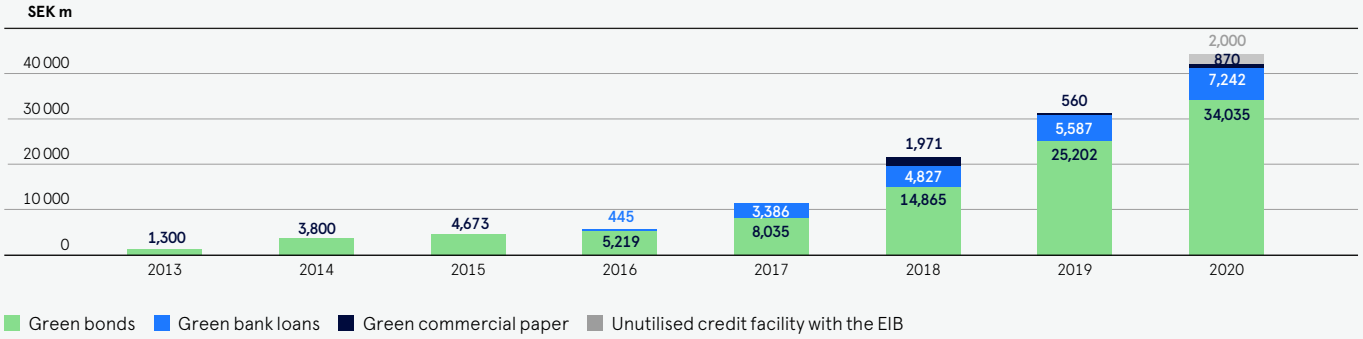
In addition to financing under the framework, Vasakronan had green unsecured loans outstanding with the Nordic Investment Bank and the European Investment Bank that totalled SEK 5.5 billion (4.8) at the end of the year, plus an unutilised credit facility with the European Investment Bank of SEK 2 billion. In 2020, green secured bank loans were signed for SEK 1 billion (0.8) and at the end of the year, the green secured bank loans outstanding totalled SEK 1.8 billion (0.8). Green financing, including green bank loans that are financed outside the framework, represents 61% (47) of Vasakronan's total borrowings.

Criteria under the framework

What can be financed with the proceeds from Green Finance Instruments is described in a framework that has been evaluated by the Center for International Climate Research (CICERO), a Norwegian climate research institute. Since 2017, Vasakronan's framework allows for investments in new construction and redevelopment projects, existing properties and investments in solar energy projects.

The financing of new construction and redevelopment projects requires that they be certified according to LEED for new construction or redevelopment at Platinum level, or BREEAM-SE at Outstanding level, and have an energy intensity 25% below the National Board of Housing, Building and Planning's requirements (BBR requirements).

Green financing growth



The criteria to be met for financing an existing property is that the building must be certified according to LEED on a Gold level or higher and have an energy intensity below 100 kWh/sq. m. per year. The framework and CICERO's second opinion can be found at www.vasakronan.se.

Vasakronan has a special account for transactions attributable to the issue of green debt instruments. If the approved investment amount is less than the volume of green debt instruments outstanding, Vasakronan has undertaken to place a corresponding amount in this special account. At year end, the approved investment amount exceeded the volume of green debt instruments outstanding, and the account balance was therefore zero.

Approved investment amount, 31 Dec 2020

	SEK m
Eligible investments in ongoing projects	988
Existing properties	52,760
– of which previously new construction and redevelopment projects	7,267
Solar parks	28
Total approved investment amount	**53,776**
Volume outstanding, green bonds	34,035
Volume outstanding, green commercial paper	870
Total volume outstanding	**34,905**
Remaining approved investment amounts	**18,871**

Other information

The environmental data reported was produced in accordance with the same principles and methods as the Sustainability Report and is shown on page 127 in the 2020 Annual Report.

Investments in new construction and redevelopment projects corresponded to the amount that as of the balance-sheet date had been invested in the actual property Existing properties are recognised at market value. The market value is updated mid-year and at the end of the year in connection with external evaluations being performed. Reporting of market value and amounts invested follows the accounting policies indicated on pages 108–109 in the 2020 Annual Report.

The Existing properties category also includes properties that previously underwent new construction or renovation, and were financed over the course of the project in accordance with the criteria for new construction and redevelopment projects. In connection with the completion of new construction or redevelopment, an evaluation was conducted against the criteria set for investment in existing properties. Reclassifying a property from new construction and redevelopment projects to the category for existing properties requires that the new build or redevelopment is reported to the Board of Directors and that final certification has been obtained.

Emissions, *tons*

17,968

Estimated reduction of climate impact from existing properties (annual).

Emissions, *tons*

520

Estimated avoided emissions from new builds and redevelopment projects (annual).

Calculation approach

The emissions reported for existing properties pertain scopes 1 and 2, which are attributable to energy consumption in buildings after taking into consideration the agreements contracted by Vasakronan with the respective energy utilities (the market-based method). However, any climate compensation made by energy suppliers has not been included.

When calculating reduced energy consumption in the existing properties between 2009 and 2020 (see the table on page 169), the property's metered energy consumption at 31 December 2009 was compared with the metered energy consumption at 31 December 2020. For properties acquired or built after 31 December 2009, the registered energy value at the end of the first of December after the property was occupied/put into use was used as a comparison figure.

Climate impact reduction reported for the existing properties pertains to the difference between the annual GHG emissions that the property would have had without improvement to the energy intensity from 2009 until now and contracts for renewable energy, and the property's actual emissions in 2020 based on measured energy consumption in 2020 and taking into account Vasakronan's energy agreements.

When calculating the estimated reduction in energy consumption in ongoing new construction and redevelopment projects (see the table on page 168), the forecast energy intensity is compared with the highest permitted energy intensity under the BBR requirements. The assessed emissions avoided from new construction and redevelopment projects pertain to the difference between the annual GHG emissions that the property would have had if it had been built in accordance with the BBR requirements and without renewable energy contracts, and emissions from the property's forecast energy intensity and taking into account Vasakronan's energy contracts.

Some of the new construction and redevelopment projects and existing properties that are financed under the framework are also financed with green bank loans. To make sure that the calculated avoided emissions and reduction in climate impact will only have an effect on green financing under Vasakronan's framework, the portion pertaining to green bank loans has been deducted. To determine the size of that portion, the proportion of the green loan in relation to the forecast investment and the property's market value was used. In cases where the existing property is pledged for green secured loans outside the framework, the proportion of the mortgage deeds in relation to the property's market value is used. For more information about which properties are partially financed through green loans, see the tables on pages 168 and 169.

Examples of assets in the green pool

EXISTING PROPERTY

Klara Zenit

Blåmannen 20 is in central Stockholm and includes offices, stores, and restaurants, as well as garage and gym facilities. During the year, the property has been expanded and now includes 48 apartments and 51 terraced houses on the roof. Vasakronan bought the property in the end of 2010 and in the last few years carried out several sustainability measures. Energy consumption has decreased approximately 50% since 2010 thanks to a systematic energy savings initiative, including installing baseload heat pumps and LED lighting and improving the ventilation system. The district is also home to the transportation solution "Älskade stad," which makes last-mile deliveries with electric vehicles to tenants in the quarter. On the way back, the vehicles carry waste collected in the district before it is transported further out of town.

- Environmental certification LEED, Platinum
- Annual energy intensity 90 kWh/sq. m.
- Solar photovoltaics on the roofs that generate 154,000 kWh/year
- The "Cykel och Service" ("Bike and Service") concept, with parking, service and changing rooms for cyclists.
- Electric vehicle charging stations
- Species-rich living walls that contribute to biodiversity

NEW CONSTRUCTION PROJECTS

Nattugglan

A new building is being constructed in the Nattugglan district in Södermalm, Stockholm, that will primarily contain offices, as well as restaurants and conference facilities, across 23,000 square metres. The project is the first in Vasakronan that uses a climate calculator. This calculator estimates that the climate impact of the production stage will amount to approximately 398 kg of carbon equivalents per square metre of gross floor area, a savings of 15% compared to the initial calculation. The measures taken to reduce emissions include a slimmer construction that results in a reduced amount of concrete, purchasing climate-improved concrete and rebar manufactured from recycled raw materials. Installations and the interior material used was chosen with climate as the deciding factor.

- Environmental certification LEED, target Platinum
- Energy intensity of 45 kWh/sq. m., which is 35% lower than the regulatory requirement
- Estimated climate impact of 398 kg CO_2e sq. m./GFA from the production stage (according to EN 15978, A1–A5), all construction material
- Abundant bicycle parking
- Electric vehicle charging stations
- Waste disposals in large kitchens and dishwashing stations
- Local management of surface water through own infiltration facilities
- Species-rich sedum roofs, 1,700 sq. m.
- Collaboration with Tryggare Sverige for a safer place for people to spend time in the district

UPPSALA

Solar park

On Rapsgatan in Fyrislund, Uppsala, Vasakronan owns approximately 12 hectares of land. Land that might eventually be developed but up until now has gone unused. In spring 2020, Vasakronan started to build a seven-hectare solar park in the area. When the park goes into operation, it will double Vasakronan's own solar electricity production and provide renewable electricity to the grid in Uppsala.

- 30,000 sq. m. of crystalline solar photovoltaics, the equivalent of 11,000 panels
- Installed effect of 4.4 MWh
- Estimated electricity production: 4 GWh per year

"Energy consumption at Priorn is at 22 kWh per square metre and year. That's incredible!"

Ulf Näslund
Chief Technology Officer (CTO)

Vasakronan's properties are to become self-sufficient in terms of energy. How are you working to achieve this?
"The first thing is to optimise and to ensure that the buildings are maintained as efficiently as possible. For example, that there is the right temperature in the right place and that there's no overventilation. We also need to replace older technology with new equipment and add new functions to the control system. The goal is to better control our buildings based on needs.
"Everyone who works with operations here is doing a fantastic job! Just over ten years ago, Vasakronan set a target of halving the amount of energy purchased, from 200 to 100 kWh per square metre and year. When we reached that target, we set a new one: half again down to 50. We're already at around 83 kWh per square metre and year.
"But we also need to invest in our buildings. We need to make sure that buildings are climate smart by switching to energy-efficient windows and adding insulation as well as by working together with our customers."

What are some concrete examples of what you accomplished in 2020?
"We built a solar park in Uppsala and are looking into building another. We've also invested in geothermal facilities and put several into operation, including at Priorn in Malmö. Energy consumption here is at 22 kWh per square metre and year. That's incredible!
"Another facility will be included at Magasin X in Uppsala and under Hötorgshusen in Stockholm. The latter will be one of the largest in the country for commercial buildings and means that the amount of purchased energy will be reduced significantly.
"We've also continued our digital investments. They're now bearing fruit in terms of good data and a foundation for measuring and reviewing. That's the beginning and end of energy efficiency."

What challenges do you expect for the future?
"Energy storage for a good energy balance for the entire year. But developments are moving quickly so I'm optimistic!"

Our effect on the UN Sustainable Development Goals

THE GLOBAL GOALS
For Sustainable Development

In 2015, the UN's member states committed to the 17 SDGs, which are to be achieved by 2030. The business world plays a key role in this and many companies are working to reach the goals, but there is also a risk that companies conduct operations that actively counteract the goals. Vasakronan's operations contribute to several of the Sustainable Development Goals. We also analysed whether there is any risk that our operations would interfere with achieving the goals.

Operations have the largest positive impact on Goal 7 "Affordable and clean energy," Goal 9 "Industry, innovation and infrastructure," Goal 11 "Sustainable cities and communities" and Goal 12 "Responsible consumption and production." Through our positive impact on these goals, our operations also contribute to Goal 13, "Climate Action."

The challenges in operations connected to the 2030 Agenda goals include Goal 8 "Decent work and economic growth," primarily related to work environment accidents and hazardous working conditions at our construction sites.

For more information about how we work with the Sustainable Development Goals, see pages 137–160 in the 2020 Annual Report.

Ongoing new construction and redevelopment projects forming basis for investment, with an eligible investment of SEK 988 million

Property	City	LEED Certification	Energy intensity primary energy figure (P), kWh/sq. m.	Energy intensity, primary energy figure BBR[2], kWh/m²	Estimated reduction in energy consumption, %	Estimated emissions avoided (annual), tons	Waste, kg/sq. m.	Materials, kg/sq. m.
Abbedissan 2 (previously Priorn 5)	Malmö	Platinum	32	45	29	129	39	–
Nattugglan 14[1]	Stockholm	Platinum (F)	45	80	44	111	–	–
Kungsängen 14:5 (Magasin X)[1]	Uppsala	Platinum (F)	27	80	66	136	–	–
Kronåsen 1:1 (Celsius)[1]	Uppsala	Platinum (F)	33	96	66	145	26	953
Total			**–**	**–**	**–**	**520**	**–**	**–**

1) The project is financed in part by green bank loans with the EIB.
2) Maximum permitted energy intensity under National Board of Housing, Building and Planning guidelines.
(F) = Forecast
Waste and materials are not reported for the Kungsängen 14:5 (Magasin X) and Nattugglan 14 projects, as these were not completed as of 31 Dec 2020.

Solar park, eligible investment of SEK 28 million

Property	City	Energy produced during the current year[1]	Estimated annual energy production, MWh	Reduction in climate impact, annual, tons[1]
Solar park	Uppsala	–	4,000	–
Total		**–**	**4,000**	–

1) The solar park was finished in 2020 and will go into operation in 2021. Energy produced on-site and reduced climate impact in 2020 is therefore zero.

Existing properties forming basis for investment, with an approved investment amount of SEK 52,760 million

Property	City	LEED certification	Energy intensity, kWh/sq. m. 31 Dec 2009	Energy intensity, kWh/sq. m. 31 Dec 2020	Reduction in energy consumption 2009–2020, %	Estimated reduction of climate impact (annual), tons	Water intensity, m3/sq. m., 31 Dec 2020
Gullbergsvass 1:16	Gothenburg	Platinum	81	50	38	503	0.28
Gullbergsvass 16:1	Gothenburg	Gold	113	83	27	310	0.33
Heden 22:19	Gothenburg	Gold	102	54	47	502	0.22
Heden 42:4	Gothenburg	Gold	125	75	40	152	0.93
Heden 46:1	Gothenburg	Gold	100	93	8	107	0.14
Inom Vallgraven 11:6	Gothenburg	Gold	114	83	27	314	0.53
Inom Vallgraven 20:14	Gothenburg	Gold	135	71	47	114	0.33
Inom Vallgraven 33:10	Gothenburg	Gold	102	66	35	47	0.32
Inom Vallgraven 59:14	Gothenburg	Gold	104	78	25	130	0.37
Inom Vallgraven 61:11	Gothenburg	Gold	108	82	24	129	0.38
Lorensberg 45:16	Gothenburg	Platinum	126	74	41	82	0.16
Nordstaden 10:23	Gothenburg	Gold	174	70	60	556	0.27
Nordstaden 8:27	Gothenburg	Platinum	156	84	46	869	0.51
Abbedissan 1 (previously Priorn 2) [2]	Malmö	Gold	124	58	53	84	0.59
Björnen 1	Malmö	Gold	122	81	33	108	0.18
Bylgia 1	Malmö	Platinum	125	61	51	217	0.10
Gasklockan 3	Malmö	Gold	98	81	17	553	0.59
Jungmannen 1	Malmö	Gold	133	50	63	83	0.06
Kaninen 32	Malmö	Gold	124	42	66	66	0.22
Magnus Stenbock 2	Malmö	Gold	159	76	52	209	0.17
Magnus Stenbock 4	Malmö	Platinum	119	78	35	222	0.13
Nereus 1	Malmö	Platinum	124	66	47	238	0.10
Relingen 1	Malmö	Platinum	224	68	70	258	0.17
Sankt Jörgen 7	Malmö	Gold	77	50	34	96	0.09
Sejen 3 [4]	Malmö	Platinum	–	83	–	110	0.26
Sirius 1	Malmö	Gold	69	50	28	148	0.18
Albydal 3	Stockholm	Gold	89	72	19	143	0.18
Blåmannen 20	Stockholm	Platinum	286	90	68	3,143	0.44
Getingen 11	Stockholm	Platinum	168	75	55	830	0.22
Hammarby Gård 12	Stockholm	Platinum	94	66	30	65	0.21
Hekla 1	Stockholm	Gold	62	36	42	228	0.17
Hilton 7 [1, 3]	Stockholm	Platinum	–	60	–	80	0.18
Kurland 11	Stockholm	Gold	127	88	31	52	0.37
Modernet 1, Bldg. 8 [1]	Stockholm	Platinum	105	26	75	179	0.17
Riga 2	Stockholm	Gold	104	32	69	539	0.30
Rosenborg 1	Stockholm	Platinum	179	89	50	160	0.16
Modernet 3, Bldg. 3 [1]	Stockholm	Platinum	105	38	64	171	0.14
Modernet 3, Bldg. 4 [1]	Stockholm	Platinum	105	51	51	54	0.15
Rosteriet 6 & 8	Stockholm	Platinum	224	75	67	1,149	0.17
Skjutsgossen 8	Stockholm	Gold	111	54	51	132	0.25
Spektern 13	Stockholm	Gold	168	68	60	1,164	0.41
Tre Vapen 2 [2]	Stockholm	Platinum	115	77	33	320	0.21
Uggleborg 12 [1, 2]	Stockholm	Platinum	127	58	55	632	0.34
Uppfinnaren 2	Stockholm	Gold	95	44	54	259	0.39
Dragarbrunn 18:9	Uppsala	Gold	168	70	58	305	0.22
Dragarbrunn 24:5	Uppsala	Gold	145	77	47	583	0.42
Dragarbrunn 28:5	Uppsala	Platinum	80	48	40	457	0.23
Dragarbrunn 31:1 [2]	Uppsala	Gold	125	71	43	514	0.88
Fålhagen 1:39 [4]	Uppsala	Platinum	–	61	–	129	0.14
Kronåsen 1:1 (Hubben) [1, 3]	Uppsala	Platinum	115	46	60	187	0.54
Kvarngärdet 1:19	Uppsala	Gold	189	56	70	283	0.20
Total			**–**	**–**	**–**	**17,968**	**–**

1) Properties that underwent new construction or renovation, and were financed over the course of the project in accordance with the criteria for new construction and redevelopment projects. After the project was completed, the property was reclassified to the existing properties category. As of 31 December 2020, these properties comprised SEK 8.4 billion out of a total SEK 53.8 billion. For further information, see Other information and methods.
2) The property is financed in part by a secured green bank loan. For further information, see "Other information" and "Methods".
3) The property is financed in part by a green bank loan with the NIB. For further information, see "Other information" and "Methods".
4) The property was acquired or built after 31 Dec 2009. In these cases, the registered energy value at the end of the first of December after the property was occupied/put into use was used as a comparison figure.

Auditor's Limited Assurance Report on Vasakronan AB's Impact Report – green financing

This is the translation of the auditor's report in Swedish. To the Board of Directors of Vasakronan AB, corporate identity number: 556061-4603

Introduction
We have been engaged by the Board of Directors of Vasakronan AB (publ) to undertake a limited assurance engagement of the information in the Company's "Investor Report – Green financing" (the Investor Report), for the year 2020. The Investor Report consists of the pages 162-169 in the Annual Report.

Responsibilities of the Board of Directors and Executive Management
The Board of Directors and Executive Management are responsible for the preparation of the Investor Report in accordance with the applicable criteria, as explained on page 162 of the Annual Report and consists of the parts of Vasakronan AB (publ)s Green Finance Framework which are applicable for the Investor Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of an Investor Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor
Our responsibility is to express a conclusion on the stated reported information in the Board of Director's and Executive Managements Investor Report and the use of the issued amount according to the framework's categories, based on the limited assurance procedures we have performed. Our engagement is limited to the information in this document and the historical information reported and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Investor Report and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Vasakronan in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Investor Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Investor Report has not been prepared, in all material respects, in accordance with the criteria defined above.

Stockholm, March 24, 2021
Ernst & Young AB

Katrine Söderberg
Authorized Public Accountant

Marianne Förander
Expert Member of FAR