



Vasakronan Green Finance Framework

Green Finance Instrument Definition and the Green Bond Principles

Green Finance Instruments are any type of finance instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Assets with environmental benefits aligned with the four Green Bond Principles ("GBP") established by the International Capital Market Association (ICMA).

This document refers to the latest version of the GBP, which was published in June 2018.

Company Overview

The Property Company Vasakronan

Vasakronan is the leading property company in the Nordics with operations in four major regions: Stockholm, Uppsala, Gothenburg and Öresund. Vasakronan's portfolio comprises 180 properties with a total area of 2.4 million square metres, valued at SEK 134 billion at 30 June 2018. Vasakronan is jointly owned by the First, Second, Third and Fourth Swedish National Pension Funds.

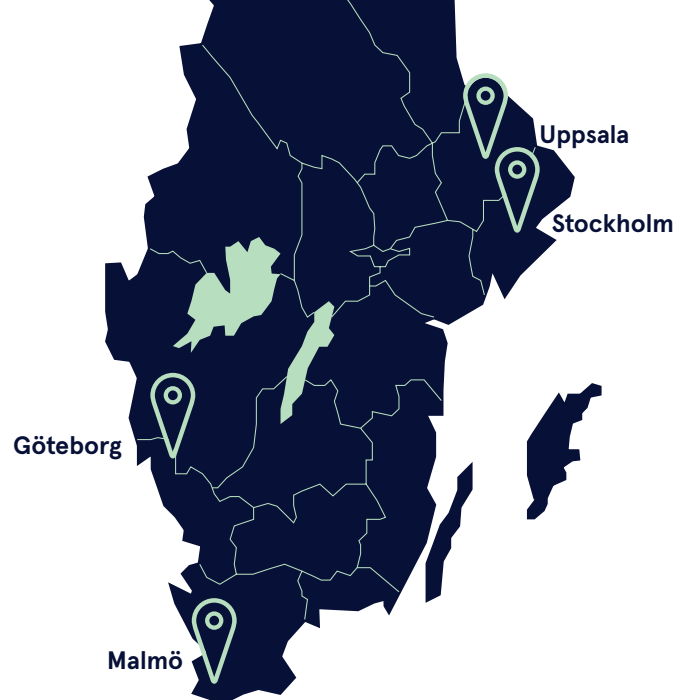
Nearly 40 percent of the energy consumed by society is associated with buildings. Properties impact the environment throughout their life cycle, that is from project planning, construction and management to renovation and demolition.

Sustainability is a natural and integrated part of Vasakronan's business and organisation and comprises financial, environmental and social responsibility initiatives. These sustainability efforts are based on the ten principles outlined in the UN Global Compact, internal policies/guidelines and our Code of Conduct. The work is goal-oriented and long-term.

The environmental initiatives are based on the Precautionary Principle and they are carried out within the scope of the company's environmental management system, which complies with the ISO 14001 standard. Our processes have been designed to ensure that environmental aspects are addressed at all stages of a building's life cycle. Moreover, the environmental management system has been integrated into our overall quality system and coordinated with the business planning process. Both internal and external audits are performed to ensure compliance with the environmental management system.

Efforts to lower our energy consumption and to only use renewable energy sources are important environmental issues. Furthermore, low energy consumption is a prerequisite for obtaining environmental certification for buildings. Our facilities management has primary responsibility for energy consumption in existing buildings, and for the preferred choice of energy source. Energy-related efforts are governed by our energy strategy and environmental policy.

Since 2009, Vasakronan has improved its building's energy performance by 54 percent. As per 30 June 2018, Vasakronan had reduced the average energy use in all assets to 101 kWh per square metre and had certified 85 percent of its building stock, mostly according to the LEED rating system.



The ambition is to certify 100 percent of the portfolio, to reach LEED Platinum for all new construction and major renovation projects, and to reach at least LEED Gold for all existing buildings.

The results of Vasakronan's sustainability work are reported annually, according to GRI, and are published in the annual report and on the company's website, vasakronan.se. Energy performance, water intensity and the share of certified properties are reported quarterly. From 2012, Vasakronan also began reporting sustainability performance pursuant to GRESB, which has rated Vasakronan a "Green Star" every year since 2013. In August 2018, Vasakronan made a commitment to take science-based climate action and to set Science Based Targets, emissions reduction targets in line with climate science.

Vasakronan is an experienced green bond issuer, being the world's first company to issue a green bond in November 2013. This Green Finance Framework is an update to Vasakronan's framework dated 15 March 2017. Through establishing this Green Finance Framework and by adding other types of debt instruments that can be used to finance eligible Green Assets, Vasakronan aims to take further steps towards mobilising debt capital markets for climate change and at offering investors further insight into Vasakronan's sustainability strategy.

This Green Finance Framework has been developed in alignment with the Green Bond Principles 2018. It is our intention to follow best practices in the market as the standards develop.

CICERO has provided a Second Opinion to this Green Finance Framework, which is publicly available at Vasakronan's website, vasakronan.se.

// Stockholm, 27 August 2018

Fredrik Wirdenius, CEO

Anna Denell, Head of Sustainability

Thomas Nystedt, Group Treasurer

1. Green Finance Instruments

Vasakronan has developed this Green Finance Framework (the “Green Finance Framework”) in order to issue Green Finance Instruments (“Green Finance Instruments”) such as: Green Bonds, Green Commercial Papers, Green Private Placements and other types of debt instruments where the use of proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible Green Assets with environmental benefits. Further details will be described in the relevant product documentation.

The Green Finance Framework is consistent with the Green Bond Principles 2018. The four core components of these principles are: the Use of Proceeds, the Process for Project Evaluation and Selection, the Management of Proceeds and Reporting.

2. Use of Proceeds – Eligible Assets

Vasakronan’s Green Finance Instruments raise funds for eligible new projects and existing buildings as well as renewable energy projects (“Eligible Assets”) with environmental benefits.

Eligible Assets comprise a selected pool of assets funded, in whole or in part, by Vasakronan that promote the transition to low-carbon and climate resilient growth (the “Green Asset Pool”).

Eligible Assets target climate change mitigation and adaptation, and include sustainable property development as well as high-performing existing buildings that are sustainably operated and maintained.

Vasakronan is aware that potentially, the greatest opportunity to reduce the built environment’s impact on the climate, is through enhancing the operations and maintenance of existing buildings by lowering energy consumption, shifting to renewable energy sources and by combating emissions from transportation and travel to and from buildings.

List of Eligible Assets, the Green Asset Pool

New construction and major renovations of buildings owned and managed by Vasakronan and/or its subsidiaries that have an energy performance¹ at least 25 percent below the maximum permitted in the building regulation (Swedish BBR code) valid at the time of approval by the Green Finance Committee (see Section 3 below) and that have or will receive a certification of either:

- » LEED New Construction or Core and Shell, minimum certification level “Platinum”
- » BREEAM New Construction, minimum certification level “Outstanding”

¹ Expressed in Swedish BBR code as “Primärenergital (PET)”, Primary Energy Number, in [kWh/sqm, year]

- (2) Existing buildings owned and managed by Vasakronan and/or its subsidiaries with an energy performance of less than 100 kWh/sqm and that either have a certification from the construction phase (as stated in section 2.1 above) that is not older than ten years, or have received a LEED Existing Buildings: Operations and Maintenance certification (minimum certification level “Gold”). Examples of activities that will be performed to obtain the certifications as existing buildings are:
- » Building energy retrofits (equipment upgrades, lighting/HVAC or deep retrofits – systems/envelope)
 - » Onsite renewable energy generation powering the building and/or distributed to the grid (solar, wind, geothermal)
 - » Offsite renewable energy purchase
 - » Peak load demand reduction (thermal energy storage, batteries and demand response systems)
 - » Waste management in place to ensure better recycling rates
 - » Minimise potable water consumption/disposal (capture/recycle storm water, implement vegetated/green roofing, no potable water in landscaping, water metering/monitoring systems)
 - » Incorporate clean transportation infrastructure (electric vehicle charging stations, bike facilities)
 - » Climate risk analysis and adaptation of buildings to cope with estimated climate change within the coming 50 years (e.g. roofs withstanding greater snow loads, onsite storm water capacity)
- (3) Solar energy projects developed and owned by Vasakronan and/or its subsidiaries.

Collectively, the assets in the above categories will form the Green Asset Pool. Assets in categories 2.1 and 2.3 will correspond to the amount invested. Assets in category 2.2 will correspond to their market value less debts from other sources, if applicable. Accredited appraisers determine the market value twice each year.

Vasakronan’s Green Finance Instruments can be used to finance new Eligible Assets and to refinance existing Eligible Assets in accordance with this Green Finance Framework. The division of the allocation of Green Finance Instrument proceeds between the financing of new Eligible Assets and refinancing of Eligible Assets will be included in Vasakronan’s annual Green Finance Impact Report (see Section 5).

Proceeds from the Vasakronan Green Finance Instruments will not be used to finance any fossil or nuclear power projects.

3. Process of Asset Evaluation and Selection of Eligible Assets

The selection of Eligible Assets is handled by Vasakronan's Green Finance Committee. These decisions made by the committee are documented and, in each case, are subject to veto by the Head of Sustainability.

The Treasury department maintains an updated list of the Eligible Assets in the Green Asset Pool. The list will be used as a tool to determine whether sufficient headroom exists for issuing a Green Finance Instrument. Any such issuance will require an existing capacity to utilise the net proceeds in accordance with the Green Finance Framework and Vasakronan's financial policy.

4. Management of Proceeds

The Treasury department of Vasakronan will manage the net proceeds from Green Finance Instruments on a portfolio basis, and all Green Finance Instruments will be tracked in Vasakronan's treasury system to ensure traceability.

Should the nominal amount of Green Finance Instruments outstanding at any time exceed the value of assets included in the Green Asset Pool, the unallocated proceeds from Green Finance Instruments are credited to a special account ("Special Account"). If the value of the Green Asset Pool exceeds the nominal amount of Green Finance Instruments outstanding, a transfer is allowed from the Special Account.

If, in connection with the issuance of new Green Finance Instruments, the Green Asset Pool exceeds the total nominal amount of new and outstanding Green Finance Instruments, the Special Account balance will be zero.

If for any reason, a property does not reach the anticipated certification level that asset will be removed from the Green Asset Pool and replaced by another Eligible Asset.

If Vasakronan sells a property, that asset will be removed from the Green Asset Pool and replaced by an asset that qualifies in accordance with the Green Finance Instrument Framework.

Vasakronan will document any transfers to and from the Special Account, to ensure tracking and simplify review. Vasakronan will disclose the amount of the net proceeds not yet allocated to Eligible Green Projects and Assets, which are temporarily held by Vasakronan in the form of cash or term deposits with banks.

The internal tracking method, the allocation of proceeds from Green Finance Instruments and the balance of the Special Account will be assured by an external auditor on an annual basis. The opinion of the external auditor will be published on Vasakronan's website, [vasakronan.se](https://www.vasakronan.se).

5. Reporting

The total value of the Green Asset Pool together with the total amount of Green Finance Instruments outstanding will be posted on Vasakronan's website, vasakronan.se, as well as being disclosed in each quarterly report.

To enable investors to follow developments and to provide insight into prioritised areas, Vasakronan will provide an annual Green Finance Impact Report including:

- (1) **A list of Eligible Assets in the Green Asset Pool together with, to the extent data is available per asset;**
 - a) type of certification and level
 - b) energy performance (kWh per sqm)
 - c) energy generated (kWh per year)
 - d) CO2 emissions (Scope 1 and 2, kg per sqm)
 - e) waste data (waste diverted from landfill) from the construction phase (for new construction and major renovation projects) or diversion rate for waste collected from tenants (for existing buildings)
 - f) water intensity (m3 per sqm and year)
 - g) material consumption (for new construction and major renovation projects, kg per produced sqm)
- (2) A selection of project examples
- (3) A summary of Vasakronan's Green Finance Instruments' development and an estimate of the share of financing versus re-financing of Green Assets.
- (4) The amounts outstanding for each category of Green Finance Instruments.
- (5) In addition to Green Finance Instruments issued by Vasakronan in the capital market, the company may have Green Loans provided by lending institutions. The same criteria for Eligible Assets specified in the framework applies for Green Loans. Green Loans taken by Vasakronan may be provided by lending institutions that finance these by issuing Green Bonds. In order to prevent double counting, Vasakronan will report the aggregate amount of Green Loans taken and specify each Eligible Asset that has been financed by a Green Loan in a separate section of the Green Finance Impact Report.

- (6) Balance of the Special Account and the available green value headroom (if any).
- (7) A list of relevant, key sustainability figures for the company as a whole, such as energy performance, CO₂ emissions, waste data and water intensity.

If an Eligible Asset is not fully financed/refinanced with net proceeds from Vasakronan's Green Finance Instruments, Vasakronan will disclose the entire project and highlight the part financed/refinanced by net proceeds from Vasakronan's Green Finance Instruments. Vasakronan will only account for the net proceeds and impact in relation to the amount financed/refinanced by Vasakronan's Green Finance Instruments in its impact reporting.

The Green Finance Impact Report is a part of Vasakronan's annual report and will be reviewed and verified by Vasakronan's auditor.

The report, together with the assurance from the auditor, will be available on Vasakronan's website, [vasakronan.se](https://www.vasakronan.se).

To increase transparency, Vasakronan has appointed CICERO to review this Green Finance Framework and its alignment with the Green Bond Principles. Vasakronan will publish CICERO's Second Opinion on its website, [vasakronan.se](https://www.vasakronan.se).