

# GREEN BOND FRAMEWORK

APRIL 2019







*This document (the “Green Bond Framework” or “Framework”) contains information on Wallenstam (“Wallenstam”) and its issuance of notes with added environmental criteria (the “Green Terms”). Any such issuance by Wallenstam that includes the Green Terms in its loan documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be labelled a Green Bond (“Green Bond”) or a similar wording suitable for the type of financial instrument (“Green Financial Instrument”) used. Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. Furthermore, all parties are advised to review the applicable risk factors in the relevant loan documentation, prospectus or information memorandum. Any issuance of notes will be subject to the version of the Green Terms in the associated loan documentation. Any new issuance of Green Bonds or other Green Financial Instruments will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Framework on Wallenstam’s website.*

# BACKGROUND

Wallenstam wants to contribute to a better society, today and for future generations. This is our driving force and what makes us proud of our business. For us, sustainability is all about pursuing responsible enterprise. We achieve this by taking responsibility for the impact we have on society and by creating solutions that contribute to a positive long-term development.

Wallenstam was founded in 1944 by Lennart Wallenstam. In 1984, the company was admitted to the stock exchange and is today listed on the Large Cap segment of Nasdaq Stockholm. Hans Wallenstam was appointed CEO in 1991 and is the largest shareholder in the company. Other large owners include AMF Insurance and Funds, Agneta Wallenstam and Anders Berntsson with family and company. The value creation mainly occurs by means of cost-efficient new production, efficient property management and letting as well as successful business transactions.

Wallenstam owns and builds residential properties in attractive areas and in growth markets, primarily in the Stockholm and Gothenburg regions. Our commercial properties are found in inner city locations in Gothenburg. Our business concept is to develop, build, buy and sell properties in selected metropolitan areas that are sustainable for people and companies in the long term. We want to contribute to a good standard of living for many people by producing housing and developing safe and lively city districts. We believe it is important to have a variety of forms of housing in society and we safeguard the rental apartment as a form of accommodation.

We believe that integrated sustainability work and strong social engagement go hand in hand with long-term profitability. This delivers good control, minimizes business and operational risks, increases efficiency, generates new solutions and business transactions and also ensures more committed employees, more secure investors and more satis-

fied customers. For this reason, sustainability is a core part of our business model.

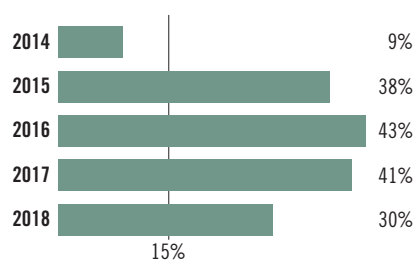
Wallenstam has reported its sustainability work since 2006 and has reported in accordance with the Global Reporting Initiative (GRI) since 2010. 2018 is the first reporting according to GRI Standards. We support the UN's Global Compact initiative and Agenda 2030 where we are working to help reach the global goals.

In order to provide a greater focus and intensify the sustainability work, Karin Mizgalski was appointed Sustainability Manager during 2018. The CEO is responsible for leading and following up the work with the prioritized and material topics as well as the risks in Wallenstam's sustainability work. The practical and day-to-day sustainability work is conducted in all parts of the operations and all employees have a responsibility to implement and drive the sustainability work in their respective departments.

Wallenstam has been self-sufficient in renewable energy from its own wind turbines since 2013. Electricity production covers our own and tenant needs for renewable energy.

During the previous business plan we have worked to reduce the carbon footprint in our property holdings by at least 15 percent per square meter. The follow-up shows that we have

## REDUCED CARBON FOOTPRINT PER SQ M



Shows total improvement from the start of the business plan.

achieved a total reduction of 30 percent during the period 2014-2018. Our carbon footprint in our property holdings mainly comes from district heating. Therefore work to reduce our carbon footprint occurs in a number of ways including installation of modern energy units powered by internally produced carbon-neutral electricity in operations optimization projects and during new construction.

During 2018, for example, we implemented major energy saving projects in four commercial properties and in two residential properties, which delivered a reduction in energy usage of 10-65 percent in each property.

The carbon footprint per square meter is also positively impacted by gradually adding our newly built, energy-efficient properties to our holdings. We aim for a rating of at least Miljöbyggnad Silver level in our new production, which means that our properties meet strict requirements in terms of energy usage, quality of indoor environments and material choice.

A successful example is the reconstruction of the “Kopparhuset” property on Gothenburg’s most well-known street Avenyn. Geothermal heating now supplies the entire property, essentially the whole block, with green electricity for heating and cooling, the distribution station is powered by our own renewable electricity and the energy usage is completely CO<sub>2</sub> neutral. We have added new rental apartments on Teatergatan, which together with the new stores and restaurants, has given Teatergatan a completely new vibrancy with more people in the area for more hours of the day. The street is perceived as safer and the restaurants and cafes that opened have become meeting places for local residents and for visitors.

In our business plan 2019-2023, we shall reduce our environmental impact every year, through initiatives within the focus areas energy, transports and resources.

As an urban developer, we aim to create safe and welcoming areas and properties that people want to live in, work in and visit. To accomplish this, we contribute to research, participate in development projects and follow advancements in knowledge about what creates security in urban development, new production and management of residential areas. We believe that one of several recipes for success is to boost social inclusion and we therefore contribute by supporting, for example, youth activities and organizations that work against exclusion in the communities where we are active.

Our Code of Conduct is central, and together with a number of guidelines demonstrates Wallenstam’s approach and makes clear how we want to act as a company in questions for example relating to the working environment, corruption, equality, human rights and the environment. We also impose requirements on contractors that enter into cooperation agreements with us that they follow the content of the Code of Conduct and act according to it.

Wallenstam will strive to monitor the development of the Green Bond market to continually advance the Green Terms. As such the Green Bond Framework may be updated from time to time to reflect current market practices. In establishing the terms in this framework Wallenstam has sought to comply with the Green Bond Principles (June, 2018) as well as the current best market practice.

Wallenstam has worked together with Handelsbanken to develop the Green Bond Framework. Cicero has provided a second opinion on the Framework, which is publicly available on Wallenstam’s website.

More information about our work with sustainability is available on our website ([www.wallenstam.se](http://www.wallenstam.se)).

*Gothenburg, April 2019*

Hans Wallenstam  
CEO

Karin Mizgalski  
Sustainability Manager

Susann Linde  
CFO

# METHODOLOGY AND SCOPE

## Investment categories

Eligible Green Assets are projects and assets identified within Wallenstam's existing and ongoing development that support the transition to low carbon intensity and sustainable development. All Eligible Green Assets are to contribute to one or more of the following set of global criteria:

1. **Mitigation (M):** Reduce harmful emissions of greenhouse gas, either by improving and transitioning existing assets through meaningful upgrades and retrofits, or by investing in new assets utilising low carbon intensive technology and environmentally sound solutions.
2. **Adaptation (A):** Adaptation investments to better withstand the effects brought on by climate change, improving the resilience to climate change and expected changes in the micro-climate and local environment, for instance, increased rainfall, heightened risk of flooding or sea level rise.
3. **Environment and eco-systems (E):** Support environmental investments with a positive environmental impact other than the direct mitigation of climate change (maximum 15 per cent of net proceeds).

## Exclusions

The net proceeds will not be allocated or linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

## Allocation of net proceeds

The net proceeds from Wallenstam's Green Bonds will be used to finance a selected pool of "Eligible Projects and Assets" in accordance with the Green Bond Framework. Initially, the majority of the net proceeds will be allocated to existing projects and assets, however the long-term ambition

is to allocate the majority of the net proceeds to new projects and assets (defined as projects and assets financed within 12 months from completion). The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting.

## Alignment with the UN Sustainable Development Goals

Agenda 2030 and the Sustainable Development Goals ("SDG") were adopted by the United Nations General Assembly on September 25, 2015. There are 17 global goals with 169 defined underlying targets, aimed at achieving long-term sustainable economic, social and environmental development in order to eradicate extreme poverty, to reduce inequality and injustice in the world, and to fight climate change.

Wallenstam has chosen to prioritize five of the Sustainable Development Goals. Within these goals, we work in various ways with a number of different sub-areas:

- Equality and diversity are key principles. We work to ensure that men and women shall have the same conditions, for example during recruitment, development initiatives and setting of salaries. (5)
- We aim to reduce our carbon footprint. We are self-sufficient in renewable energy through our own wind turbines. We are also investigating and evaluating other technical solutions for sustainable energy production, such as solar power and energy storage etc. (7)
- During procurement of contractors and purchasing of services, the responsibilities of our partners in relation to business ethics, the environment, working conditions, safety etc. are governed by agreements. Going forward, we shall deepen cooperation surrounding the risks that exist, for example in relation to working conditions, production methods and material choice etc. (8)

The two charts below highlight the goals that are incorporated into Wallenstam's operations as well as in this Green Bond Framework.

#### WALLENSTAM FOCUSES ON THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS

### SUSTAINABLE DEVELOPMENT GOALS



#### THIS FRAMEWORK MAINLY TARGETS THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS

### SUSTAINABLE DEVELOPMENT GOALS



- We support youth activities in the local communities where we are active in order to fight exclusion and create city districts where everyone can feel included – an engagement that will be increased further. (8, 11)
- Our ambition is to create and contribute to lively city districts by providing and offering rental apartments for secure housing and commercial premises with the right conditions for business owners and community stakeholders. (11)
- We work to achieve lower energy usage in our properties through continual metering and monitoring as well as targeted operations optimization projects. (13)
- We help provide qualitative homes for many people, mainly in the form of rental apartments for our own management operations. Our aim is to achieve a rating of at least Miljöbyggnad Silver level during new production of residential properties. (13)
- In our commercial holdings, we are working to reduce energy use so that a property meets the requirements for Green Building certification. (13)
- Individual electricity and water metering has been standard in our new production since 2006. Such an installation usually contributes to a reduction in consumption by tenants of 10-25 percent following a running-in period. (13)
- We are building in recharging possibilities for electric vehicles in our new construction projects and we are de-

veloping composite mobility solutions involving bicycles, cars and other types of transport services in several of our urban development projects. We have developed a car-pooling service, which is offered to our tenants in certain areas and our long-term ambition is to offer the solution to all of our tenants. (13)

#### The path towards our goals

**PROCESS WORK**  
A. Preparatory work  
B. Construction  
C. Buy, Sell, Let  
D. Management

#### FIVE PRIORITIZED GLOBAL GOALS

- No discrimination of any stakeholder (goal 5)
- Increased share of renewable energy in all properties (goal 7)
- Growth and innovation (goal 8)
- Inclusion and everyone's right to good working conditions (goal 8)
- Safe, inclusive and smart cities (goal 11)
- Prerequisites for sustainable living (goal 11)
- Continually reduced impact on the climate (goal 13)

PROGRESS, RESPECT AND COMMITMENT

# GREEN TERMS

## 1. Use of Proceeds

The net proceeds from the issuance of Green Bonds will be used by Wallenstam to, in whole or in part, finance or refinance investments (“Eligible Green Projects and Assets” or “Green Projects and Assets”) that promote the transition to low-carbon, climate resilient and sustainable economies, as well as environmental and ecosystem improvements. The net proceeds will be used exclusively to finance or refinance projects and assets that comply with the categories and criteria’s set out below, as well as the Exclusion and Allocation criteria (see Methodology and Scope).



### I. CLEAN TRANSPORTATION (M)

Financing of electric transportation vehicles as well as supportive infrastructure such as charging stations, bicycle garages, pedestrian walkways, bicycle lanes and other investments that support and emphasize the use of clean transportation solutions.



### II. ENERGY EFFICIENCY (M)

Financing of investments in the existing portfolio of buildings that target a lower overall energy use and a reduced environmental footprint. This could include, for instance, the installation of heat pumps, geothermal heating/cooling, energy-efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows, battery storage or an upgraded ventilation system. Only directly

associated expenditure (e.g. material, installation and labour) is eligible for financing. Wallenstam will ascertain the following:

- High estimated energy savings in the targeted area (minimum 20%).
- Minimize long term negative climate impact and potential rebound effects.
- Minimal negative climate impact from the technology used.



### III. GREEN BUILDINGS (M)

Financing of development, acquisition, major renovation or otherwise completed properties that have, or will, receive (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification of Miljöbyggnad Silver, or better, as well as 20% lower energy use than required by the applicable national building code (BBR).



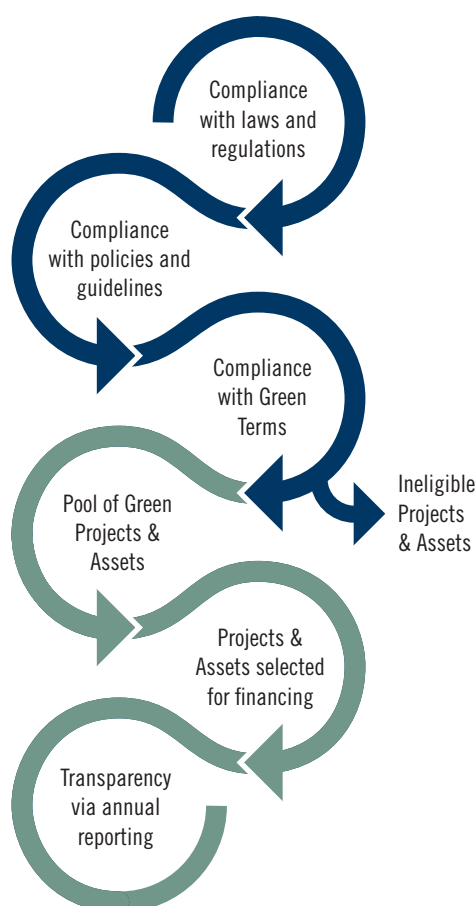
### IV. RENEWABLE ENERGY (M)

Financing of investments in wind power or emission-free geothermal heating and cooling installations, as well as related infrastructure investments such as grid connections and electric substations, either on an existing building or as a stand-alone investment.



## 2. Process for Project Evaluation and Selection

A group with representatives from Wallenstam's business units will identify and nominate projects and assets within the eligible categories to a business council consisting of members from the Senior Management at Wallenstam including CFO, Technical Director and Sustainability Manager among others. The council will evaluate the nominated projects and assets, and ensure compliance with the Green Terms. A consensus decision by the council is required to approve the Eligible Projects and Assets before any allocation of net proceeds. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Wallenstam. Decisions by the council will be documented. To ensure legitimacy in this process a list of all Eligible Projects and Assets that meet the Green Terms will be kept by Wallenstam. The list will be used as a tool to determine if there is a current or expected capacity to issue a Green Bond.



## 3. Management of Proceeds

The net proceeds of any issue under the Green Bond Framework will be credited to a dedicated account (the "Green Account"). Funds may be deducted from the Green Account in an amount corresponding to the financing or refinancing of Eligible Projects and Assets that have met the Green Terms, or to repay a Green Bond. If a Project or Asset no longer qualifies according to the Green Terms, the funds will be either reallocated to projects and assets that meet the Green Terms or returned to the Green Account.

The Green Account ensures strict monitoring and tracking of the Use of Proceeds. The Treasury Department is responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects and Assets and for keeping records of the purpose of any transfers on the Green Account. The allocation of net proceeds may not exceed the market value or investment expenditure, as applicable, of an eligible project or asset less any external debt financing such projects or assets.

If the Green Account has a positive balance the unallocated funds may be invested in short-term interest bearing securities while pending investment in Eligible Projects and Assets. Such investments are permitted in Swedish government bills. The allocation of proceeds will be verified by a third party (see "Annual Review" under Reporting and Transparency).

### EXTERNAL REVIEW

Wallenstam acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of net proceeds allocation. The allocation of net proceeds will be verified by Wallenstam's external auditor. For further information, see the "Annual Review" section under Reporting and Transparency.

## 4. Reporting and Transparency

Wallenstam will publish an annual report on its website ([www.wallenstam.se](http://www.wallenstam.se)) that will detail the allocation of green bond net proceeds and adherence to the Green Terms (the "Reporting"). The first such Reporting is expected to take place in April 2020 and will be available in English.

The Reporting will contain a list of all Eligible Projects and Assets that have been financed with Green Bonds, a summary of Wallenstam's activities in the past year as pertains to Green Bonds as well as information regarding each Eligible Project and Asset's adherence to the relevant Applicable Criteria.

## ALLOCATION DISCLOSURE

- Wallenstam will provide allocation reporting for each of the Use of Proceeds categories in the Framework. Emphasis will be placed on providing examples and allocation reporting to single projects based on size.
- The sum of outstanding Green Bonds.
- The outstanding amount of all active Green Bonds.
- The Green Account balance (including any short term investments).
- The proportion of net proceeds allocated to new investments (see definition under Methodology and Scope).
- All data is to be as of the end of the previous year.

## PERFORMANCE REPORTING

The Reporting will contain a disclosure of asset level performance indicators. The reporting will strive to disclose the impact based on Wallenstam's financing's share of the total investment. For projects and assets that are not yet operational, Wallenstam will strive to provide estimates of future performance levels. Wallenstam will emphasize energy production/savings and greenhouse gas reductions as the most relevant performance metrics for most project types.

The data will be provided in a table format and disclosing, where and when available, the following indicators and measurements:

### Impact Metrics for Clean Transportation:

- i. Annual absolute (gross) greenhouse gas emissions in CO<sub>2</sub>e.
- ii. Annual absolute (gross) greenhouse gas reductions in percentage.
- iii. The number of installed charging stations for electric vehicles.
- iv. The number of financed electric vehicles.
- v. The number of bicycles that a bicycle garage can accommodate.

### Impact Metrics Energy Efficiency Investments:

- i. Each yearly report will include an example of an energy efficiency investment that has been financed with green net proceeds. Given the number of project types that qualify under the category the KPI's will not be disclosed beforehand in the framework. Wallenstam will emphasize energy and carbon savings, where applicable, as relevant performance metrics.

### Impact Metrics for Green Buildings:

- i. Environmental certification.
- ii. Energy consumption disclosed by absolute consumption (kWh) and intensity (kWh per square meter) per year.
- iii. Calculated carbon footprint disclosed by absolute emissions (tons) and intensity (kg per square meter) per year. The greenhouse gas emissions are monitored annually by Wallenstam in accordance with the Greenhouse Gas Protocol.

### Impact Metrics for Renewable Energy:

- i. For an investment in a stand-alone renewable energy project the energy production (MWh per year), installed capacity (MW) and the estimated yearly reduction of greenhouse gas emissions.
- ii. For an installation of a renewable energy in a real estate asset the percent of the asset's total energy use supplied by the installation, the energy production (kWh per year) and the estimated yearly greenhouse gas reduction.
- iii. For an investment in a stand-alone renewable energy project the energy production (kWh per year) and the estimated yearly greenhouse gas reduction.

## ANNUAL REVIEW

The external auditor of Wallenstam, or a similar party appointed by Wallenstam with the relevant expertise and experience, will investigate and report whether the net proceeds have been allocated to the Eligible Green Projects and Assets that Wallenstam has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Wallenstam's website ([www.wallenstam.se/greenbonds](http://www.wallenstam.se/greenbonds)).

## DEDICATED WEBSITE

Wallenstam will provide a dedicated webpage for Green Bonds at its website ([www.wallenstam.se/greenbonds](http://www.wallenstam.se/greenbonds)) where investors can find information regarding Wallenstam's Green Bonds, including:

- The Green Bond Framework
- The Second Opinion
- The Reporting
- The Annual Review
- Investor Presentations.

## Definitions

**MILJÖBYGGNAD SILVER** means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

**BBR** means the Swedish national building regulation set up by the National Board of Housing, Building and Planning, determining the regulatory requirements and offering general advice regarding all stages of planning, construction and operations of real estate assets.

## Policy documents that govern Wallenstam's Environmental and Sustainability work

Public Policies and Guidelines are available at [wallenstam.se](https://wallenstam.se)

Name	Publicly available
1 Annual Report 2018 (English)	Yes
2 Code of Conduct (English)	Yes
3 Guidelines on working environment (Swedish)	No
4 Guidelines on equality (Swedish)	No
5 Guidelines on business trips (Swedish)	No
6 Guidelines on procurement and purchasing in relation to construction contracts (Swedish)	No
7 Guidelines on whistleblower service (Swedish)	No
8 Company-wide principles for quality assurance of contracts and contract management (Swedish)	No
9 Wallenstam Base (Swedish) – consists of several governing documents, which contain specifications and tools for ensuring that our newly constructed rental apartments are designed and produced based on long-term operating efficiency.	No



