

WALLENSTAM AB (publ) GREEN BOND

DNV GL SECOND PARTY OPINION

Scope and Objectives

Wallenstam AB (publ) (“Wallenstam”) builds, develops and manages properties for sustainable living and enterprise in Sweden. The company owns a total of approximately 220 properties and its customer base consists of around 7,600 households and 1,000 companies. In 2006, Wallenstam decided to start acquiring wind energy assets, in order to offer its customers electricity from renewable energy sources. At the beginning of 2013, Wallenstam became self-sufficient in terms of its renewable energy supply.

Wallenstam is currently considering issuing a “green bond” to re-finance a portfolio of wind energy assets owned by its subsidiary Svensk NaturEnergi. Wallenstam has commissioned DNV GL Business Assurance Sweden AB (“DNV GL”) to provide a second party opinion on the Wallenstam green bond.

DNV GL’s role has been two-fold: Firstly, we have adapted our green bond assessment methodology, based on the Green Bond Principles¹, to create a Wallenstam-specific green bond framework. Secondly, we have used this framework to review the process and disclosure made in connection with the current bond issue and given an opinion as to whether the bond meets the criteria established in the framework.

No assurance is provided regarding the financial performance of the bond or the value of any investments in the Bond. Our objective has been to provide assurance that the bond has met the criteria established on the basis set out below.

Responsibilities of the Management of Wallenstam and DNV GL

The management of Wallenstam has sole responsibility for ensuring that the conditions established by the framework are met. Our statement represents an independent opinion and is intended to inform Wallenstam’s management and other interested stakeholders in the Wallenstam Green Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by Wallenstam. DNV GL is not responsible for any aspect of the assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect.

Basis of DNV GL’s opinion

A framework has been developed to establish a set of suitable criteria which can be used to demonstrate that Wallenstam is meeting the Green Bond Principles in the financing of a portfolio of wind energy assets. The criteria against which the Wallenstam Green Bond has been reviewed are grouped under the four Green Bond Principles:

1. **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a green bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
2. **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of a green bond should outline

¹ The Green Bond Principles are a set of voluntary process guidelines for issuing green bonds, initially developed by 13 leading international banks and issued in January 2014, and now supported by a large number of financial institutions.

the process it follows when determining eligibility of an investment using Green Bond proceeds, and outline any impact objectives it will consider.

3. **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a green bond should be tracked within the issuing organization, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
4. **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of bond proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

The criteria for each principle, used by DNV GL to assess whether the principle has been met, are set out in Schedule 2 to this Opinion.

Work undertaken

Our work constituted a high level review of the available information, based on the understanding that this information was provided to us by Wallenstam in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- The creation of a Wallenstam-specific Green Bond Framework, based on the Green Bond Principles.
- A review of documentary evidence provided by Wallenstam on the bond, on Wallenstam and on the proposed assets to be included in the bond.
- Interviews with selected Wallenstam employees.
- Documentation of our findings in a protocol, made available to Wallenstam. Our opinion, as detailed below, is a conclusion of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below, as per the four Green Bond Principles.

1. **Principle One: Use of Proceeds.** Wallenstam is intending to issue a Green Bond to re-finance a portfolio of wind energy assets. Wallenstam has identified 7 wind energy assets and shared information about these assets with DNV GL. Schedule 1 provides a list of the assets. Wind energy is a clean energy source with clear environmental benefits, as compared to fossil fuels. The benefits of the assets financed through this bond can be quantified in MWs (capacity) and MWhs (production).
2. **Principle Two: Process for Project Evaluation and Selection.** The proceeds from the bond will re-finance existing and already identified assets and as such there is no need for the company to establish a process for project evaluation and selection. As for the environmental benefits of the assets, the issuer is stating that the aggregate installed capacity of the assets is 52.8 MWs and the aggregate production figure in 2014 was 122 924 MWhs. The assets are located in Sweden – a country with high statutory standards on the environment, as per their OECD status and EU membership. On a corporate level, Wallenstam has a code of conduct, which clearly expresses commitment to follow all the laws of the countries of operation.
3. **Principle Three: Management of Proceeds.** As the proceeds from the bond will be immediately used to refinance existing assets there will be no need to track the proceeds, to place them in a separate portfolio, or to declare eligible instruments for temporary holdings. Wallenstam has declared the financing needs of the assets to be SEK 500M, which is equivalent to the planned value of the bond issue.

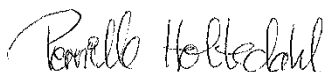
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4. **Principle Four: Reporting.** Wallenstam has confirmed that it will report annually on the bond on the IR section of its website. Reporting will include an overview of the assets, including project name, location, number of turbines, installed aggregated MWs, date of completion/entry into operation, and latest available annual production figures.

In conclusion, on the basis of the information provided by Wallenstam and the work undertaken, it is DNV GL's opinion that the Wallenstam Green Bond meets the criteria set out in the Wallenstam Green Bond Framework and is aligned with the Green Bond Principles.

On behalf of DNV GL Business Assurance Services AB

London/Stockholm

March 16th, 2015



Pernille Holtedahl

Project Director

About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Schedule 1: List of identified assets for the Wallenstam Green Bond

Name of wind farm	Country	Installed capacity (MW)
Lyngby	Sweden	1.5
Gategården	Sweden	1.8
Tängelsbol	Sweden	1.5
Digerberget	Sweden	11.5
Vettåsen	Sweden	23.0
Middagsberget	Sweden	9.0
Järmonderöd	Sweden	4.5

Schedule 2: DNV GL's Assessment Criteria, based on the Green Bond Principles (GBP)

Reference	Criteria
1a	Type of Bond: There are currently four types of Green Bonds included in the Green Bonds Principles: Green Use of Proceeds Bond, Green Use of Proceeds Revenue Bond, Green Project Bond, and Green Securitized Bond.
1b	Use of Proceeds: The issuer should declare the eligible green project categories in the use of proceeds section in the legal documentation for the security.
1c	Use of Proceeds: The GBP recommends that all designated green bond categories provide clear environmental benefits that can be described and, where feasible, quantified or assessed.
2a	Process for Project Selection and Evaluation: The issuer should outline the investment-decision process it follows to determine the eligibility of an individual investment using Green Bond proceeds.
2b	Process for Project Selection and Evaluation: If possible, issuers should work to establish impact objectives from the projects selected.
2c	Process for Project Selection and Evaluation: Where applicable, the issuer should, as a first step, review the investments' overall environmental profile.
2d	Process for Project Selection and Evaluation: In addition to the Green Bond process, criteria and assurances that an issuer provides, many Green Bond investors may also take into consideration an issuer's overall environmental and social and governance framework.
3a	Management of proceeds: The net proceeds of Green Bonds should be moved to a sub-portfolio or otherwise tracked by the issuer and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for projects.
3b	Management of proceeds: So long as the Green Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching investments made during that period.
3c	Management of proceeds: Pending such investments, it is recommended that the issuer make known to investors the intended types of eligible instruments for the balance of unallocated proceeds.
3d	Management of proceeds: The value of the bond should be smaller than or equal to the financing needs of the nominated projects.
4a	Reporting: Issuers should report at least annually, if not semi-annually, via newsletters, website updates or filed financial reports on the specific investments made from the Green Bond proceeds, detailing wherever possible the specific project and the dollars invested in the project.