

Green Finance Framework



ARWIDSRO

Strategy and rationale

Sustainability vision

We will not address sustainability separately; it will be embedded in everything that we do. We will conduct business and develop, manage, acquire and analyse – always with sustainability as a priority.

Strategy

Arwidsro's operations are more than the sum of its parts in society – we build lasting living environments. We believe in, and are contributing to, the transition to a sustainable world by creating the conditions for behavioural changes.

Sustainability will permeate our entire organisation, the way we work and the decisions we make on a daily basis. We will use certifications, systems, methods and tools to assure quality. Our sustainability ambitions must always lead to concrete actions.

Our sustainability vision could be perceived as simple. And our goal is that it will ultimately be simple – an integral part of our daily operations. But reaching that goal requires hard work, inquisitiveness, commitment and courage. Challenging the consensus and questioning old truths. In 2019, we took important steps towards implementing our sustainability agenda in earnest. We determined our sustainability vision, the structure for our work and our basic principles.

Basic principals

1. Profitable (over time)
2. Circular utilisation of resources – life-cycle assessment
3. Prioritised focus on what can make the biggest difference (materiality)
4. Integrated – not isolated
5. In collaboration – dialogue
6. From local to global
7. Communicative – knowledge-sharing culture
8. Measurable

We have analysed and identified the UN Sustainable Development Goals (SDGs) that are most relevant to our operations. The analysis defined three goals: Sustainable cities and communities (Goal 11), Responsible consumption and production (Goal 12) and Life on land (Goal 15).



We are now working more concretely towards the realisation of our sustainability agenda. We are exploring the opportunities that digital technologies, proven methods and certification tools provide and testing them in our existing properties. We completed our first feasibility studies to environmentally certify our existing properties and drive property development projects where sustainability plays a crucial role and is high on the agenda. All new production obviously involves environmental certification of the buildings and is a learning process for our organisation. One example of new production is the residential aged-care facility in Norrtälje Hamn, which will have a Silver rating under the Sweden Green Building Council (SGBC) certification scheme, and where we are taking further measures to participate

in the creation of sustainable urban development. Norrtälje Municipality is driving this process. In another property, we have initiated an energy audit as a pilot project, with the aim of developing a model for improving energy efficiency. In the public properties business area, we have created a concept to ensure that sustainability is embedded in every stage of our projects. In the early stages of several development projects, we have initiated a process under the Citylab Action certification scheme for sustainable urban development. Alongside of ongoing projects, we work strategically to design sustainability practices that are systematic, clear and measurable. We can see that this method – working both in specific projects and systematically over the long term – is an efficient and wise way forward. And that is how we intend to continue – with our sustainability vision as our goal.

Entire living environments

We are fully aware that the certification of individual buildings is an important, but not sufficient, part of our sustainability efforts. Sustainable urban development is about so much more – it's about the entire living environment, but also about responsibility and common sense. We are serious when we say that we want our work to last into the future, and that we want to be part of the solution in the transition and for the society of the future. We see many exciting and innovative initiatives in our industry where collaboration is the key. We believe that transparency is a priority for sustainability and seek collaboration with partners who share our views. That is one of the reasons why we, in the first quarter of 2020, became a member of the Sweden Green Building Council – the leading organisation for sustainable community building in Sweden. We have a long way to go, just like the rest of the world – the transition to a sustainable world is not easy, it needs to be systematic and gradual. We believe that patience, collaboration and hard work will be the key success factors for realising our sustainability vision. In addition to specific projects, we are now working with a method for materiality assessment and situation analysis in our business areas. The situation analyses will result in an action plan consisting of objectives and activities. Our efforts to date have indicated that we will prioritise the certification of properties, energy audits and efficiency improvements, as well as studies and measures to promote biodiversity. When the action plans have been completed in each business area, sustainability will be fully embedded in everything that we do.

In terms of sustainability, our most exciting and challenging part is to create scope for behavioural changes and social aspects in our trading venues and public properties, and to assess the financial impacts of climate-related risks and opportunities in accordance with the TCFD or equivalent.

The Arwidsson foundation

Another dimension of our path to sustainability is the foundation that receives some of our financial surplus. The Arwidsson Foundation was founded in 2014 by Per Arwidsson and his life partner Birthe Hallin-Olsen. The Foundation is an independent organisation that aims to strengthen the relationship between urban planning, architecture, art and the humanities. A catalyst for urban development. The operations comprise a collaborative part, in which the Foundation initiates and runs projects together with municipalities, the private sector and civil society, and a knowledge part that drives opinion formation and platforms for conversations about how we shape the environments we live and work in.

Stockholm, August 2020

Peter Zonabend
CEO

Maria Björkling
Head of Sustainable Development

Anette Erneholm
CFO

Framework Structure

As part of Arwidsro's continued commitment to sustainability, a Green Finance Framework (the "Framework") has been developed. The structure of the Framework is developed to be in line with both the ICMA Green Bond Principles (GBP) 2018, as well as the LMA and APLMA Green Loan Principles (GLP) 2018, and therefore consists of the four key pillars and recommended External Review component.

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External Review

It is Arwidsro's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develop and as the EU classification of environmentally sustainable economic activities (the Taxonomy) and the EU Green Bond Standard enter into force. Therefore, Arwidsro's Green Finance Framework may be amended and/or updated to reflect the changes in market practice.

Exclusions












Net proceeds will not be allocated to projects for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.





Use of proceeds

The net proceeds from Arwidsro's issuances of Green Finance Instruments will finance Eligible Assets in part or in full that promote environmental benefits as determined by Arwidsro and in line with Arwidsro sustainability policy. The proceeds raised based on this Green Finance Framework can be applied towards new assets, acquisitions, projects and to refinance existing assets. All proceeds under this Green Finance Framework will be used in compliance with the below list of Eligible Assets providing environmental benefits in accordance with the defined categories. Eligible Assets can be owned by Arwidsro directly or indirectly through subsidiaries.

In addition to Green Finance Instruments issued by Arwidsro in the capital market, the company may have Green Loans provided by lending institutions. Green Loans taken by Arwidsro may be provided by lending institutions that finance these by issuing Green Bonds. Arwidsro 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 Investor report.

Eligible categories and asset descriptions

| GBP Categories | Eligible Assets | Core UN SDG Targets | Targeted EU Environmental Objective |
|---|--|--|-------------------------------------|
| Clean transportation | Financing of electric vehicles, charging stations, bicycle garages, pedestrian walkways, bicycle lanes and other investments that support and emphasize the use of clean transportation solutions. |   | Climate change mitigation |
| Energy efficiency | <p>Financing of investments include energy retrofits such as the installation of more efficient ventilation or heating system and adjusting light controls and light fittings.</p> <p>The Green Finance Committee will only include investments where a minimum on 25% energy saving is targeted and a minimum negative climate impact and potential rebound effect is controlled.</p> |     | Climate change mitigation |
| Environmentally sustainable management of living natural resources | Finance in green environments that promote, restore and preserve biological diversity. These include, green roofs, green walls, urban biotopes, flower-beds, trees, which all have a positive effect on reduced noise levels, risk of flooding, binding air pollution and strengthens ecological values within the zone of accumulation. |  | Climate change mitigation |
| Green buildings | <p>Financing of development or acquisition of new constructed properties that either have or will receive a design stage certification, a post construction certification of an in-use certification of Miljöbyggnad Silver, BREEAM Very Good or an equivalent level from a certification scheme and that has an energy usage which is at least 30% below the applicable national legislation.</p> <p>Financing of existing properties that either have or will receive a post construction certification of an in-use certification of Miljöbyggnad Silver, BREEAM Very Good, or an equivalent level from a certification scheme and that achieve at least a 30% increase in energy efficiency.</p> |     | Climate change mitigation |

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|--|--|---|---|
| <p>Pollution prevention & control</p> | <p>Financing or refinancing of the establishment, expansion or upgrades of solutions contributing to the management, reduction and reuse of waste such as systems and technologies contributing to an efficient management of waste, for the purpose of reducing and recycling all types of waste in the management and construction of buildings.</p> |   | <p>Pollution prevention & control</p> |
| <p>Renewable energy</p> | <p>Financing of onsite installation of solar panels in order to increase the share of renewable energy used within Arwidsro's property portfolio are eligible to improve the energy efficiency and to support the aim to increase the share of renewable energy in the properties and to decrease the share of fossil fuels.</p> |   | <p>Climate change mitigation</p> |

Process for project selection and evaluation

Arwidsro has established a Green Finance Committee (GFC) to evaluate and select assets that are in line with the criteria set out in the use of proceeds section. The committee will rely on a consensus decision when allocation net proceeds. The committee will meet at least on an annual basis or when needed. The Green Finance Committee is comprised of Chairman, CEO, CFO, Head of Sustainability, Head of Transactions.

The Green Finance Committee is responsible for:

- **Evaluating** the alignment of proposed assets with the eligibility criteria outlined in the Use of Proceeds section above.
- **Ensuring** that the pool of Eligible Assets is aligned with the categories and criteria as specified in the Use of Proceeds section.
- **Replacing** investments that no longer meet the eligibility criteria (e.g. following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.)
- On a best effort basis, **reviewing and updating** the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Company's corporate strategy, technology and market developments (e.g. introduction of the EU Green Bonds Standards)

Management of Proceeds

An amount equal to the net proceeds of any Green Instruments raised will be credited to an earmarked account that will support Arwidsro's financing or refinancing to Eligible Assets. So long as the Green Instruments is outstanding and the earmarked account has a positive balance, funds may be deducted from the earmarked account and added to Arwidsro's financing or refinancing in an amount up to all disbursements from that pool made in respect of Eligible Assets. The earmarked account will ensure monitor and track the Eligible Assets. The Group Treasury is responsible for the allocation of proceeds. If, for any reason, an Eligible Assets ceases to align with the requirements set out in this Framework such asset will be removed from the earmarked pool. Proceeds yet to be allocated towards Eligible Assets will be placed in the liquidity reserves and managed as such.

Reporting

To enable investors to follow the development and to provide insight to prioritised areas Arwidsro will provide a Green Financing Impact Report on an annual basis. Arwidsro intends to report on quantitative impact indicators where feasible and relevant data information is available. The Green Financing Investor Report will include:

Allocation Reporting

1. A description of the portfolio of Eligible Assets;
2. Type of financing instruments utilized and respective outstanding amounts;
3. Information on the split between new financing and re-financing;
4. A list of Eligible Assets including the amounts allocated.

Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Assets financed under this Framework, based on Arwidsro's financing share of each project. As Arwidsro can finance large and small Eligible Assets in the same Project Category, impact reporting will, to some extent, be aggregated.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis e.g. if a Green Building is under construction but not yet operational, Arwidsro will provide best estimates of future energy performance levels. The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the table below.

Table 2. Examples of impact indicators

| GBP Categories | Examples of impact indicators |
|---|--|
| Clean transportation | Annual absolute (gross) GHG reductions in percentage The number of installed charging stations for electric vehicles |
| Green buildings | Environmental certification Energy consumption disclosed by absolute consumption (kWh) and intensity (kWh per square meter) per year Calculated carbon footprint disclosed by absolute emissions (tons) and intensity (kg per square meter) per year when calculation is implemented. The GHG emissions will be monitored annually by Arwidsro in accordance with the GHG Protocol when calculation is implemented. |
| Energy efficiency | kWh/m ² / annum Percentage of energy use reduced/avoided Energy efficiency increase |
| Environmentally Sustainable Management of Living Natural Resources | Each yearly report will include at least an example of an investment that has been financed with green net proceeds (if such a project has been financed). Arwidsro will describe the investment and the area of the installation (if applicable), as relevant information metrics. |

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|---|---|
| Pollution prevention & control | Each yearly report will include at least one example (if applicable) of a Pollution prevention & control investment that have been financed with green net proceeds. KPIs will not be disclosed beforehand in this Framework. Arwidsro will emphasize on carbon savings, where applicable, as relevant performance metrics. |
| Renewable energy | Each yearly report will include at least one example (if applicable) of a Renewable energy investment that have been financed with green net proceeds disclosing its estimate of the reduction in greenhouse gas emissions avoided as a result of the investment.. |

External Review

To secure alignment with national and international guidelines Arwidsro has obtained an external third-party opinion on this Green Finance Framework. The second opinion from Cicero. The document is available on Arwidsro's webpage.

An appropriate external independent assurance provider will annually assure Arwidsro selection process for the financing of Eligible Assets and the allocation of the proceeds of any Arwidsro Green Instrument and that such processes and allocations are in accordance with the Arwidsro Green Finance Framework. The opinion of the assurance provider will be made publicly available on Arwidsro's webpage.

Policy documents that govern Arwidsro's Environmental and Sustainability work

| # | Name | Public / Non-Public |
|---|--------------------------|---------------------|
| 1 | Annual Report | Yes |
| 2 | Sustainability policy | Yes |
| 3 | Environmental policy | Yes |
| 4 | Code of Business Conduct | Yes |
| 5 | Equal Treatment Policy | Yes |
| 6 | Anti-Corruption Policy | Yes |