

GREEN FINANCE FRAMEWORK

August 2019



OFFENTLIGA HUS

1. Introduction

1.1. About Offentliga Hus

Offentliga Hus was founded in 2011 as one of the pioneers within Community Service Properties ("CSP"). Today, Offentliga Hus manages, develops and leases CSP to public tenants all around Sweden. The property portfolio consists of many different CSP, including schools, health care facilities, libraries, police stations and road stations. Total property value as of 30 June 2019 amounts to SEK 4,8bn. Tenants consist of 90% publicly financed operations with long average lease term of 5 years. Offentliga Hus has never divested any of its CSP, emphasizing its focus on long term and active ownership which has made Offentliga Hus into an attractive business partner for municipalities and other counterparties in need of reliable premises. Public services need to be operated in a long-term and sustainable manner with a responsible real estate partner who knows the needs of its tenants. Offentliga Hus holds extensive experience from both the real estate sector and the public sector on how to best meet the needs of the public sector. Not the least is this exemplified by the Board of Directors, many members of which have broad experience of public administration and are actively involved in ensuring the prioritization of sustainability at Offentliga Hus. Committed to evolving its sustainability work, Offentliga Hus makes energy efficiency improvements and will continuously find clever ways of being more resource intelligent.

1.2. The Green Finance Framework

The establishment of this Green Finance Framework (the "Framework"), focusing on green and energy efficient buildings, will

enable the Offentliga Hus' continued positive environmental impact.

This Framework has been developed in alignment with the Green Bond Principles 2018 ("GBP")¹. The Framework is applicable for issuance of Green Finance Instruments including Green Bonds, Green Commercial Papers and other types of debt instruments where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects/Assets with clear environmental benefits.

The Framework is aligned with the four recommended components of the GBP; Use of Proceeds (Section 2), Process for Project/Asset Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5).

Furthermore, the Green Finance Framework is reviewed by an impartial firm, CICERO, which has provided a second opinion to confirm its alignment with the GBP.

The Framework and second opinion from CICERO is available on Offentliga Hus website.

2. Use of Proceeds

Proceeds from Offentliga Hus' Green Finance Instruments will be used to finance or re-finance, in part or in full, Eligible Green Assets providing distinct environmental benefits. The company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets.

Eligible Green Assets under the Framework include:

¹ Green Bond Principles published in June 2018 are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/> Green Bond

Green buildings, category I - new construction and major renovations:

- i) All new construction that either has or will receive minimum certification of Miljöbyggnad Silver, Green Building or Passive House (*Sw. "Passivhus"*) after the completed construction
- ii) All new construction that after the completed construction a) either has or will receive minimum certification BREEAM Very Good or LEED Gold and b) has an energy performance at least 25 % below the current building regulations (Swedish BBR code)
- iii) New construction with energy consumption 25% below the national building requirements and/or major renovations reducing energy consumption by at least 25%
- iv) All new construction that either has or will receive an energy performance certificate ("EPC") of level A or B

Green buildings, category II - existing buildings incl. acquired buildings:

- i) Existing buildings certified during the construction period according to category I
- ii) Existing buildings certified as Green Building and Miljöbyggnad Silver
- iii) Existing buildings that are a) certified as minimum BREEAM In-Use Very Good or LEED Gold, and b) where renovations have been or will be made reducing energy consumption by at least 25%

Energy efficiency:

Energy retrofits such as heat pumps, converting to LED lighting, improvements in ventilation systems, extension of district heating and cooling systems.

Eligible Green Assets in *Green buildings, category I - new construction and major renovations* and *Energy efficiency*, correspond to the relevant invested amount. Eligible Green Assets in *Green buildings, category II - existing buildings incl. acquired buildings* are based on the market value

reported on the balance sheet at time of the cut-off date for annual reporting of the Green Finance Instruments.

3. Process for Asset Evaluation and Selection

3.1. Selection of Eligible Green Assets

The evaluation and selection process for Eligible Green Assets is a key process in ensuring that the proceeds from Green Finance Instruments are allocated to assets and activities which meet the criteria in the Framework.

The selection of Eligible Green Assets is managed by a dedicated group, the Green Bond Committee ("GBC"). Members of the GBC consist of Offentliga Hus CEO, CFO, Transaction Manager, Head of Asset Management as well as one representative of the Board of Directors. A representative with environmental expertise has the right to veto against any decision connected to the selection process of Eligible Green Assets. Should there be any changes to this group, Offentliga Hus will make a note of it in its reporting to investors (for more information, please refer to Section 5). However, the changes may only be considered minor and there will always be at least someone with environmental expertise in it.

A list of Eligible Green Assets is kept by the Transaction Manager who is also responsible for keeping it up to date.

3.2. Further responsibilities of the GBC

The Framework will be updated from time to time to reflect current market practices and potential updates to the GBP, if and when the GBC deems it necessary.

The list of Eligible Green Assets is monitored on a regular basis during the term of the Green Finance Instruments to ensure that the proceeds are sufficiently allocated to

Eligible Green Assets. This too is the responsibility of the GBC.

3.3. Exclusion

The proceeds of Offentliga Hus' Green Finance Instruments issuances will not be used to finance fossil fuel energy generation, nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction, gambling or tobacco.

4. Management of Proceeds

Net proceeds from Offentliga Hus' Green Financial Instruments will be tracked by using a spreadsheet where all issued amounts of Green Financial Instruments will be inserted. The spreadsheet will also contain the list of Eligible Green Assets mentioned in Section 3. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5.

All Green Finance Instruments issued by Offentliga Hus will be managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to one (or more) pre-determined Eligible Green Assets. The company will keep track and ensure there are sufficient Eligible Green Assets in the portfolio. Assets can, whenever needed, be removed or added to/from the Eligible Green Assets portfolio.

Any unallocated proceeds temporary held by Offentliga Hus will be placed on the company's ordinary bank account.

5. Reporting

To be fully transparent towards the Green investors and other stakeholders, Offentliga Hus commits to regular reporting as long as it has Green Finance Instruments outstanding. The report will cover the following areas:

Allocation of proceeds reporting

Allocation of proceeds for Green Bonds will be published on the company's website on an

annual basis. Allocation of proceeds for Green Commercial Paper will be published on the company's website on a semi-annual basis.

- Total amount of Green Finance Instruments issued
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section 2
- Share of unallocated proceeds (if any)

Impact reporting

Impact reporting will be published on the company's website on an annual basis. Offentliga Hus will publish a complete list of Eligible Green Assets within the company. Below criteria indicating environmental impact will be available:

- Green buildings: type of certification and degree of certification, energy performance per square meter
- Energy efficiency: amount of energy saved per square meter

6. External review

Second party opinion

To confirm the transparency and robustness of Offentliga Hus' Green Finance Framework, it is verified and approved by an external second opinion provider. The second opinion by CICERO is available on the Offentliga Hus' website, together with this Framework.

External part/verifier

Allocation of proceeds will be subject for an annual review by an external part/verifier. A verification report provided by the external part will be published on the company's website.

