

STENVALVET



Green Finance Framework

May 2021

1. Strategy and rationale

About us

Fastighets AB Stenvalvet (Stenvalvet) is one of the leading companies in Sweden when it comes to ownership, management and development of public service properties. Our properties are used to provide public services – residential homes for the elderly, facilities for the legal system, healthcare and education – and our tenants are predominantly government, municipalities and regions.



Stenvalvet is owned by long-term institutional investors; Kyrkans pension (Church of Sweden Pension Fund), Kåpan Pensioner (Pensions for government employees) and Stiftelsen för Strategisk Forskning (The Swedish Foundation for Strategic Research). Hence the returns generated by Stenvalvet help fund pensions for government employees and employees of the Church of Sweden, and to fund scientific, technological and medical research.

Our ambition is to be our clients' preferred choice and to always promote innovative, sustainable solutions for the public services market. The work we do and our relationships with our stakeholders should reflect the fact that we take great care with our work, maintaining a responsive, long-term approach. These are our core values, and they guide us in everything we do. Our local teams build lasting relationships with the tenants and our understanding of our tenants' operations allows us to design our buildings so we can provide the best environments in which people can work, live and learn. We are firm believers in the benefits of maintaining a good generational mix, paving the way for shared use of premises; and that is why we aim to combine various residential solutions for the elderly with schools or pre-schools.

Our approach to sustainability

Stenvalvet's Board of Directors holds ultimate responsibility for the company's sustainability initiatives and defines overall general guidelines.

The CEO – with the assistance of the management team – bears operational responsibility for these sustainability efforts, defining priorities and ensuring consistent effort throughout the company. The objective: to meet the company's targets and ensure that the right resources are on hand. In turn, all unit managers are responsible for implementing the sustainability initiatives and pursuing them further within their own fields. Property Management, for instance, is responsible for improving energy efficiency in our properties, offering green leases and maintaining open lines of communication with our tenants with regard to how we can join forces to reduce the climate impact of the property. Business Development is responsible for ensuring that everything we build or acquire has little impact on our climate and the environment and offers a good indoor environment; while HR is responsible for issues relating to health and safety, as well as equal opportunities.

The company's sustainability work is managed and underpinned by specialists in a variety of fields. The Head of Sustainability compiles recommendations, coordinates efforts and ensures compliance with our designated targets. The Energy Controller is tasked with supporting property management on improving energy efficiency and optimising our properties, and technical solutions allow us to maintain a sustainable enterprise.

Stenvalvet's Sustainable Development Policy sets out commitments and general focus areas and includes a guideline on sustainability efforts that describes the company's key sustainability areas and our overall approach to them. Our objective in this regard is to manage our business to ensure we play our part in respect of Agenda 2030 and the Sustainable Development Goals. Our Code of Conduct and the Supplier Code of Conduct describe what both we and our suppliers and partners should be doing so as to deliver on our commitments and values, both internally and externally. These codes are based on the principles of the UN Global Compact.

Our key sustainability areas relate primarily to the following Sustainable Development Goals:



Climate

Stenvalvet's business activities contribute to climate change, primarily on account of energy consumption, transport and materials selected. These are factors influenced by our properties and our tenants alike. Efforts are always ongoing to reduce our climate impact in these regards and our goal is to achieve 100% climate neutrality by 2030.

Climate change affects both our properties and our tenants, and we must adapt to these new circumstances and ensure that our properties are able to withstand increased rainfall and heatwaves, for instance. Physical risks are assessed regularly and as part of the due diligence process of new investments.

Energy

Stenvalvet is maintaining a systematic approach to energy efficiency in existing buildings by actively optimising technology systems and performing preventive maintenance. Our target for 2023 is to reduce the energy consumption by 20%, compared to 2018 figures.

The electricity used by Stenvalvet is renewable, procured centrally and of guaranteed origin. Stenvalvet is aiming to increase its own generation of electricity. Solar panels have been installed at five properties to date, and the company is planning on investing further in solar power.

The company's sustainability programme, which specifies requirements related to energy performance and the most energy-efficient

solutions, is applied to all our development projects. This programme also includes requirements related to vehicles and fuels used for development projects and the implementation of measures to reduce total distances travelled as part of any given project.

Materials

Materials for renovations, new builds or refurbishments must always be selected based on environmental, climate, health and life cycle considerations. Construction using healthy materials is particularly important at premises occupied by large numbers of children and elderly people. Children are more sensitive than adults to exposure to hazardous chemicals, and they are also exposed to a greater extent. A well-designed residential home for the elderly in terms of materials, colours and lighting can help keep residents healthy and reduce anxiety and other concerns. Materials and construction products are evaluated against our requirements and documented so that we know what products are used when we build our properties.

Attractive employer

For Stenvalvet, sustainability also involves considering our staff. We work on the basis of our core values and offer skills development, equal opportunities and a healthy workplace so that we can go on retaining existing employees and attracting new ones.

Sustainable relationships

We aim to maintain long-term relationships with our tenants by offering them long leases. This ensures for sustainable financial responsibility in respect of our clients and owners and paves the way for long-term planning – for ourselves and our clients. We aim to maintain close contact with tenants and work with them to reduce the overall environmental and climate impact of our properties. We use green leases, hold meetings with tenants and commission regular customer satisfaction surveys to assist with this.

The procurement procedure for suppliers is important when it comes to ensuring that high standards are met further down the line in terms of sustainability, business ethics, professionalism and competitiveness. Suppliers entering into contracts with Stenvalvet undertake to comply with our code of conduct for suppliers. We encourage our

suppliers to audit their subcontractors so as to ensure that compliance with Stenvalvet's requirements extends throughout the entire supply chain.

Green funding

Green funding is a natural extension of Stenvalvet's sustainability efforts and aims to facilitate investments in sustainable, profitable projects more quickly than could be achieved purely by employing our own capital. This is an important element in our general commitment towards the Sustainable Development Goals, while also futureproofing our property portfolio and generating long-term returns for our owners.

More information about our sustainability efforts can be found on our website at stenvalvet.se.

2. Framework structure

The structure of the Stenvalvet Green Finance Framework is in line with the ICMA Green Bond Principles 2018 (GBP) and LMA and APLMA Green Loan Principles 2018 (GLP), and therefore consists of the four key pillars and recommended External Review component.









3. Exclusions

Green Debt net proceeds will not be allocated to projects for which the purpose 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.

3. Use of proceeds

Net proceeds from Stenvalvet's issuances of Green Financing Instruments will be used to fund Eligible Projects either wholly or in part, to promote the transition to low carbon, climate resilience and sustainable and environmental benefits as determined by Stenvalvet in line with the Sustainable Development Policy. The proceeds raised on the basis of the Green Finance Framework can be invested in new assets and projects and be used to refinance existing projects. All proceeds pursuant to the Green Finance Framework will be used in compliance with the following list of Eligible Projects providing environmental benefits in accordance with the defined categories. Stenvalvet operates solely in the Swedish market, so the net proceeds will be used exclusively to finance and refinance Eligible Projects in Sweden. Eligible Projects may be owned by Stenvalvet directly, or indirectly through subsidiaries.

Eligible categories and project descriptions

GBP categories	Eligible Assets	Core UN SDGs	Targeted EU environmental objective										
<p>Green Buildings</p>	<p>New Buildings Financing of newly constructed or acquired buildings that either have or will receive a design stage certification, post-construction certification or in-use certification from Miljöbyggnad Silver, BREEAM Very Good, Nordic Swan Ecolabel or an equivalent certification scheme, and an energy consumption at least 25% below levels defined in applicable national legislation.</p> <p>Existing buildings Financing of existing buildings with a high energy performance that either have or will receive a design stage certification, post-construction certification or in-use certification from Miljöbyggnad Silver, BREEAM Very Good, Nordic Swan Ecolabel or an equivalent certification scheme, and achieve an energy target as specified below:</p> <p>i) an Energy Performance Certificate (EPC) with energy class A or B or ii) energy use per square meter not exceeding the targets set out below:</p> <table border="1" data-bbox="448 954 1098 1205"> <thead> <tr> <th><u>Construction year</u></th> <th><u>Energy use per square meter</u></th> </tr> </thead> <tbody> <tr> <td>- 1975:</td> <td>125 kWh/sqm</td> </tr> <tr> <td>1976–1990:</td> <td>105 kWh/sqm</td> </tr> <tr> <td>1991–2005:</td> <td>95 kWh/sqm</td> </tr> <tr> <td>2006 - :</td> <td>25 % below levels defined in applicable national building legislation at the time of construction</td> </tr> </tbody> </table>	<u>Construction year</u>	<u>Energy use per square meter</u>	- 1975:	125 kWh/sqm	1976–1990:	105 kWh/sqm	1991–2005:	95 kWh/sqm	2006 - :	25 % below levels defined in applicable national building legislation at the time of construction	   	<p>Climate change mitigation</p>
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<p>Energy Efficiency</p>	<p>Financing of projects which aim to improve the energy efficiency, for example insulation, energy retrofits such as installation of more efficient ventilation or heating systems, replacement of fuse ratings and adjustment of controls and light fittings.</p> <p>The Green Finance Committee will only include investments where a minimum 20% energy saving is targeted and where minimal adverse climate impact and potential rebound effects can be achieved.</p>		<p>Climate change mitigation</p>										
<p>Clean Transportation</p>	<p>Financing of supportive infrastructure and solutions for clean transportation such as charging stations, bicycle storage and other investments that underpin and emphasise the use of clean transportation solutions.</p>		<p>Climate change mitigation</p>										
<p>Renewable Energy</p>	<p>Financing of on-site or standalone solar panels, geothermal heating and cooling installations, heat pumps and heat exchangers, as well as related infrastructure to increase the percentage of renewable energy used within the Stenvalvet property portfolio and support the objective of increased renewable energy.</p>	 	<p>Climate change mitigation</p>										

3. Project evaluation and selection process

Potential projects and assets are identified on an ongoing basis within the scope of Stenvalvet's regular business activities as per the company's decision-making process for investments, maintenance and acquisitions. A Green Finance Committee (GFC), made up of the CFO and the Head of Sustainability, will review and evaluate projects to ensure they meet the green terms and conditions and play a part in the company's compliance with relevant Sustainable Development Goals. The GFC can request further information and consult internal parties and it has a mandate to make decisions. Decisions by the GFC must be unanimous in order to allocate net proceeds to Eligible Projects. Identified projects and assets must also be compliant with national legislation and regulations, as well as Stenvalvet's policies and guidelines. Allocation decisions are documented.

A list of all eligible Projects that satisfy the green terms and conditions will be retained by Stenvalvet so as to assure the legitimacy of this process. If a project no longer meets the green terms and conditions, it will be removed from the list (and the funds will be recovered). The list will be used as a tool to determine if there is a current or future opportunity to issue green bonds.

4. Management of proceeds

An amount equal to the net proceeds of any Green Financing Instruments raised will be credited to an earmarked account that supports Stenvalvet's lending for Eligible Projects. As long as a Green Financing Instrument is outstanding and the earmarked account has a positive balance, funds may be transferred from the earmarked account to the Stenvalvet lending pool in a sum corresponding to all disbursements made from that pool in respect of Eligible Projects. The earmarked account will monitor and track the Eligible Projects. Group Treasury is responsible for the allocation of proceeds. If, for any reason, an Eligible Projects ceases to comply with the requirements set out in this Framework, the project will be removed from the earmarked pool. Proceeds yet to be allocated towards Eligible Projects will be placed in liquidity reserves and managed as such.

5. Reporting

Stenvalvet will publish an annual Green Finance Investor Report so that investors are able to monitor developments, as well as providing an insight into priority areas. Stenvalvet intends to report on quantitative impact indicators where feasible, and if relevant data is available. The Green Finance Investor Report will include:

Allocation reporting

1. A description of the Eligible Projects portfolio;
2. The type of financing instruments utilised and the respective amounts outstanding;
3. Information on the split between new finance and re-financing;
4. A list of Eligible Projects, including the amounts allocated: to include allocated and disbursed amounts per category and geographical distribution.

Impact reporting

Impact reporting aims to disclose the environmental impact of Eligible Projects financed under this Framework, based on the proportion of finance provided by Stenvalvet for each project. Stenvalvet is capable of financing both large and small Eligible Projects in the same Project Category, and so impact reporting will be aggregated where appropriate.

The impact assessment is submitted with the proviso that not all related data can be included, and that calculations will therefore be on a "best possible" basis. If a Green Building is under construction but not yet operational, for example, Stenvalvet will provide best estimates of future energy performance levels. Where applicable, the impact assessment will be based on the Key Performance Indicators (KPIs) presented in the table below.

Examples of key performance indicators

GBP Categories	Examples of key performance indicators
Green buildings	<ul style="list-style-type: none"> • Environmental certification • Absolute energy consumption (MWh), savings (MWh and percentage) and intensity (kWh per square metre) per year • Calculated carbon footprint disclosed in terms of absolute emissions (tonnes) and intensity (kilograms per square metre) per year
Energy efficiency	<ul style="list-style-type: none"> • Energy savings (aggregated, MWh/year and percentage) • Greenhouse gas savings (aggregated, tonnes/year) • Examples of at least two projects that have been funded with green net proceeds over the year (if any such projects have been funded)
Clean transportation	<ul style="list-style-type: none"> • The number of charging stations installed for electric vehicles • Savings in terms of annual greenhouse gas emissions for the total number of charging stations installed for electric vehicles (tonnes)
Renewable energy	Each annual report will include at least one example – where applicable – of a renewable energy investment that has been funded with green net proceeds. KPIs will not be disclosed beforehand in this Framework. Stenvalvet will place emphasis on carbon savings (where applicable) as relevant performance metrics.

6. External review

Stenvalvet has commissioned an external third-party opinion on this Green Finance Framework so as to ensure alignment with national and international guidelines. A second opinion has been received by CICERO. The document is available on the Stenvalvet website.

An appropriate independent external assurance provider will provide annual assurance of the Stenvalvet selection process for the financing of Eligible Assets and allocation of the proceeds of any Stenvalvet Green Bonds, as well as ensuring that such processes and allocations are in accordance with the Stenvalvet Green Finance Framework.

Policy documents governing Stenvalvet's environmental and sustainability work

#	Name	Public / Non-public
1	Annual report	Yes
2	Sustainable Development Policy	Yes
3	Code of Conduct	Yes
4	Supplier Code of Conduct	Yes