

Heimstaden

Heimstaden Bostad
Green Bond Framework
October 2019

*Photo: Jagten 1 in central
Malmö - built in 1929*

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Introduction

About us

Heimstaden Bostad AB (“Heimstaden Bostad”) is one of the largest residential property companies in Scandinavia, operating as a subsidiary of Heimstaden AB. All employees are employed by Heimstaden AB.

Heimstaden Bostad was founded in 2013 and is headquartered in Malmö, Sweden. Our vision is to enrich and simplify life through friendly homes and provide rental apartments for all stages of life – from student accommodation to housing designed for elderly people with need of extra care.

People are at the heart of everything we do. Our business touches a variety of stakeholders. We run it responsibly in line with our values and policies, and in order to gain and maintain our stakeholders’ trust.

Heimstaden Bostad is dedicated to create value by investing long-term in properties and operational efficiency with focus on people, environment and climate. By developing sustainable attractive property stocks in Scandinavian growth regions, we generate long-term value not only for ourselves but also for shareholders, customers, partners, the environment and the society at large. We are also expanding our long-term value approach to other European countries, starting with the Netherlands.

Our business model is focused on three core processes: analysis and transaction, project and property development, and property management. These processes interact as we actively, and with sustainability in focus, manage our properties, expand and optimize the property portfolio and refine and develop individual properties.

Our sustainability strategy

Heimstaden Bostad has strong focus on sustainability and we work strategically and holistically with these issues. Accordingly, financial, environmental and social factors constitute the basis for our long-term business and operational development.

Our environmental impact is an area in which we have substantial opportunities to make a difference. With a strong population growth, new properties need to be built, while a large portion of older properties are in need of renovation and modernization to fulfil current requirements and standards. As acquisition of existing properties is a major part of our activities, we make the most difference in adopting modern standards to our old residential buildings, which consists of a large number of properties in a variety of sizes.

Our Sustainability Strategy & Targets includes environmental, social and governance measures. We build sustainable and viable neighbourhoods and local communities. Upgrading existing properties into modern standards yields both environmental and social benefits. In line with the Paris Agreement, we focus extensively on reducing our carbon footprint, and on enhancing energy efficiency, and building resilience to the effects of climate change. Improved air quality, indoor climate and accessibility for tenants with disabilities are other focus areas. Our Sustainability Strategy & Targets also guides us in minimizing the environmental impact of our day-to-day operations and how we prioritize and take environmental aspects into account in our investment decisions.

We want our customers to have access to pleasant and healthy housing. To ensure that our projects, properties and services will have a minimal impact on the environment and climate throughout their lifecycle, we continuously work towards improving our efforts both in our own operations and across the value chain, by increasing the demands we impose on suppliers and entrepreneurs.

We have long-term climate targets to only use renewable or recycled energy in our properties by 2030. Our first milestone in the transition is to only use origin-certified renewable electricity by 2021 (already 100 percent in our Swedish stock), as well as installing solar cells on suitable properties. Other environmental targets that guides our decisions are a fossil fuel independent vehicle fleet and reduced water use in our buildings.

Our sustainability work is based on the ten principles of the UN Global Compact and the seventeen UN Sustainable Development Goals. We map our sustainability risks to prioritize and focus our operations on those that are most essential, so that we over time, can lift these areas from being subject to risk management into generating value. This approach enables us to contribute to positive change and to proactively benefit from opportunities and manage any potential negative impacts.

Heimstaden Bostad’s operations are linked to a number of the UN’s Sustainable Development Goals, in particular the goals relating to clean energy, decent work, sustainable cities, climate and responsible consumption and production.

Heimstaden Bostad Green Bonds



Transitioning to a low-carbon, climate change resilient, and environmentally sustainable economy requires vast amounts of capital. By setting up this document (“Green Bond Framework” or “Framework”), aligned with the Green Bond Principles published in June 2018 by the International Capital Market Association (ICMA), Heimstaden Bostad aims to mobilize debt capital for environmentally sustainable purposes.

This Framework defines the projects and investments eligible for financing by green debt instruments issued by Heimstaden Bostad (“Green Bonds”).

In addition, the Framework outlines the process used to identify, select and report on eligible projects and the set-up for managing the Green Bond proceeds. The terms and conditions of the underlying documentation for each Green Bond shall provide a reference to this Framework.

Heimstaden Bostad may use this Framework to issue Green Bonds in the format of (i) unsubordinated notes, (ii) subordinated notes, (iii) Hybrid Securities and (iv) Commercial Papers committed to use the proceeds of Green Bonds to finance and/or refinance Green Projects, as defined below. This Framework could also be referenced to for loans and Revolving Credit Facilities.

Heimstaden Bostad has worked with Danske Bank to develop the Framework and CICERO Shades of Green has provided a second party opinion to the Green Bond Framework, which is publicly available at our website. Heimstaden Bostad will assign an external auditor to annually provide a limited assurance of the management of proceeds.

October 2019

Chief Executive Officer
Patrik Hall

Acting Chief Financial Officer
Magnus Nordholm

Chief Sustainability Officer
Katarina Skalare

Use of Proceeds



*Burlöv Arlöv 20:105 - new production.
Miljöbyggnad silver certification (SGBC)
Picture from our 'planting day' together with
children from neighbouring day care centre.*

Allocation of net proceeds

The net proceeds raised from the issuance of Green Bonds will be used to finance or re-finance, in whole or in part, projects and assets promoting the transition towards low-carbon, climate change resilient and environmentally sustainable economies ("Green Projects"), as determined by Heimstaden Bostad and in accordance with the Green Project categories defined in the section Green Project Criteria.

Financing and refinancing

Net proceeds can finance both existing and new Green Projects. New financing is defined as Green Projects under construction or Green Projects taken into operation less than 12 months prior to the approval by Heimstaden Bostad's Green Bond Committee. Refinancing is defined as financing for Green Projects taken into operation more than 12 months prior to the Green Bond Committee's approval. The distribution between new financing and refinancing will be reported on in the annual Green Bond reporting.

Exclusions

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

Sustainable Development Goals

In 2015, the UN launched the Sustainable Development Goals (SDGs), adopted by all United Nations Member States, to serve as a blueprint to achieve a better and more sustainable future for all.

In this Framework, each Green Project category has been mapped to the SDGs in accordance with the High-Level Mapping to the Sustainable Development Goals published by the International Capital Market Association¹.



¹ <https://www.icmagroup.org/green-social-and-sustainability-bonds/mapping-to-the20sustainable-development-goals/>

Green Project Criteria

Green & Energy Efficient Buildings

The real estate sector is the single largest energy consuming sector in the EU, responsible for about 40 per cent of total energy usage and 36 per cent of total carbon emissions (EU Taxonomy, 2019). Investing in green and energy efficient buildings thus play a key role in the clean energy transition.

Energy efficiency investments also have economic, social and environmental benefits, contribute to improved health, comfort and well-being and make homes more affordable (EU Commission, Energy performance of buildings).



The financing or refinancing of the construction, establishment, acquisition, expansion, or upgrade/modification of buildings that meet the criteria defined below.

Buildings

Required to have, or are designed and intended to receive, (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification in any of the following building certification schemes at the defined threshold level or better:

- LEED “Gold”²,
- BREEAM “Very Good”²,
- Miljöbyggnad “Silver”²,
- The Nordic Swan Ecolabel²,
- DGNB “Gold”², or
- An active, or designed and intended to receive, Energy Performance Certificate (EPC) with energy class A or B.³

Major renovations

Energy efficient retrofit or renovation of existing buildings, leading to a substantial reduction in energy use per square meter and year (kWh/m²/year).

A substantial reduction is seen as at least 20 per cent in Sweden, Norway and other countries/regions with low CO₂ equivalent (CO₂e) impact in its electricity and/or district heating generation. For other countries/regions at least 30 per cent is needed.

Energy efficiency

Direct costs (e.g. material, installation and labour) for installing energy efficient technologies such as heat pumps, smart control systems, new windows, improved thermal insulation, energy efficient lighting, ventilation systems, or costs for enabling renewable energy sources. Heimstaden Bostad will ensure the following:

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

Heimstaden Bostad’s targets

- ✓ Fossil fuel free operations by 2030
- ✓ Reduce the amount of purchased energy by 10 per cent per m² by 2023 (in equivalent portfolio, baseline 2018)
- ✓ At least 1 per cent reduced water consumption per square meter and year until 2030

Example actions:

- New builds – Sweden Green Building Council Silver certification (SE) or equivalent in other countries
- Increased energy efficiency in existing property portfolio
- Water efficient taps and other equipment (washing machines and dishwashers)

² Not eligible if heating from fossil gas or oil.

³ For new buildings to be eligible in Norway and the Netherlands energy label B is not enough. The building needs to be 25 percent more energy efficient than required by the relevant building regulation.

Renewable Energy

Realising the transformation towards the 1.5° C target, world requires a major shift in investment patterns. Nordic electricity production is already two thirds renewable, and the Nordic countries are actively promoting full decarbonisation of their power systems with ambitious policies and technological solutions.



The financing or refinancing of investments in renewable energy installations and their related infrastructure (e.g. grid connections and foundations), either in relation to existing buildings or as a stand-alone investment.

Solar energy

Solar energy technologies, such as Photovoltaic systems (PV), concentrated solar power (CSP) and solar thermal facilities.

Wind energy

Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes.

Geothermal energy

Geothermal power plants and geothermal heating/cooling systems.³

Heimstaden Bostad's targets

- ✓ Fossil fuel free operations by 2030

Example actions:

- Installation of solar panels on appropriate properties

Flogsta 13:1, student housing in Uppsala.

Picture of photovoltaic cells on roof (10 out of 12 roofs and 3 facades, 1,900 square meters installed 2019).

³ Facilities should operate at lifecycle emissions lower than 100gCO₂e/kWh

Clean Transportation

The IPCC special report (2018) stresses the urgency of strong action across all transport modes, as transport is the sector in Europe where carbon emissions are growing the fastest. Electrification is a powerful decarbonisation measure for the sector but an effective transformation requires massive investments in both the vehicles and their associated infrastructure.



The financing or refinancing of low carbon vehicles and related infrastructure.

Low carbon vehicles

Fully electrified, biofuel⁴, plug-in hybrid electric⁵ or hydrogen⁶ passenger and freight vehicles such as cars, trucks or vessels.

Low carbon vehicle infrastructure

Infrastructure related to low carbon vehicles, such as charging stations for electric vehicles.

Heimstaden Bostad's targets

Fossil fuel free operations by 2030

Example actions:

- Switch to fossil fuel free vehicle fleet 2025
- Install charging stations for electric vehicles when building new homes (car parks)

*Flogsta, Uppsala.
Picturing one out of totally three bicycle pump stations installed in Flogsta 2019*



⁴ Sustainability in the biogas production supply chain is evaluated, preferably proven by relevant certifications such as FSC or PEFC
⁵ Vehicles with tailpipe emission intensity of max 50g CO₂/km (WLTP)
⁶ Climate impacts related to hydrogen will be considered from a life-cycle perspective

Pollution Prevention & Control

Waste management has a huge potential for climate change mitigation when accounting for the overall effects of better waste and resource management (CBI Background paper Waste management Criteria, 2019). Sustainable waste strategies that improve the prevention, reuse and recycling of waste are thus very important for both the mitigation of GHG emissions and for an improved urban infrastructure (AR4 IPCC, 2007).

TARGET	11-6	TARGET	12-2	TARGET	12-5
					
REDUCE THE ENVIRONMENTAL IMPACT OF CITIES		SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES		SUBSTANTIALLY REDUCE WASTE GENERATION	

The financing or refinancing of the establishment, expansion or upgrades of solutions contributing to the management, reduction and reuse of waste.

Removal of harmful substances

Soil remediation and removal and replacement of harmful substances in products and materials.

Waste management

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.

Heimstaden Bostad's targets

Ecosystem services shall be evaluated for all new builds and major projects, implying that we consider factors such as clean air and water, pollination, green areas for recreation, and reduction of particle content and greenhouse gases.

Example actions:

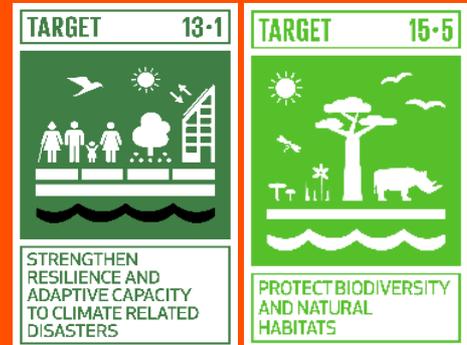
- Mapping of ecosystem services at planning stage
- At least the same amount of ecosystem services, or more, must be restored



Waste separation units at one of our older properties.

Climate Change Adaptation

Regardless of the success of international action to reduce GHG emissions, the impact of climate change will increase in the coming decades due to the delayed impacts of past and current emissions. Europe and other parts of the world therefore have no choice but to take adaptation measures to deal with the unavoidable climate impacts and their economic, environmental and social costs (EU Adaptation Strategy).



The financing and refinancing of integrating climate change adaptation and resilience measures in buildings or in relation to buildings.

Green spaces & Adaptive capacity

Solutions contributing to enhanced biodiversity and ecosystems in urban areas and/or improved adaptive capacity of buildings to cope with climate change. Investments can include green roofs/walls on buildings, green spaces, rain and storm water harvesting systems, flood barriers, improved drainage capacity.³

Heimstaden Bostad's targets

Heimstaden Bostad evaluates and prepares all new property production for climate change resilience, and has begun the journey of mapping climate-related risks and implement measures to counteract these risks in our existing property portfolio.

Example actions:

- Water management through rainwater magazines
- Green spaces where trees and other vegetation are carefully selected and planted
- Green roofs rich in species
- Pergolas or other green plants that provide shade
- Species survival and reproduction are favoured by for example nesting boxes, insect hotels, bird baths, and hives or similar

*Idet 1 in Växjö - new production.
Miljöbyggnad silver certification (SGBC).*

⁴ The investments should address climate change adaptation measures that contribute substantially to climate change adaptation and resilience, without significantly harming any other environmental or climate related priorities.

Green Project Evaluation & Selection Process

Allocation of Green Bond proceeds

Heimstaden Bostad's overall management of environmental, social, corporate governance and financial risks is a core component of our decision processes. These are stated in our policies, guidelines and instructions, listed in Appendix 1. The process for evaluation and selection of Green Projects will follow the same standard decision process.

Green Project evaluation and selection process

Green Projects shall comply with the eligibility criteria defined under the Green Project Categories. The process to evaluate, select and allocate Green Bond proceeds to eligible Green Projects comprise the following steps:

1. Sustainability experts and representatives at Heimstaden Bostad's business units evaluate potential Green Projects, their compliance with the Green Project Categories, and their environmental benefits.

2. A list of the potential Green Projects are presented to Heimstaden Bostad's Green Bond Committee. The Green Bond Committee is solely responsible for the decision to acknowledge the project as green, in line with the Green Project Criteria. A decision to allocate net proceeds will require a consensus decision by the Green Bond Committee.
3. The decision is documented and filed.

Green Bond Committee

The Green Bond Committee is chaired by the Chief Sustainability Officer and comprises the following members:

- Chief Executive Officer
- Chief Sustainability Officer
- Head of Treasury

For the avoidance of doubt, the Green Bond Committee holds the right to exclude any Green Project already funded by Green Bond net proceeds. If the Green Project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Projects.

Management of Proceeds

Tracking of Green Bond net proceeds

An amount equal to the Green Bond net proceeds will be credited to a "Special Account". The Special Account ensure that Green Bond net proceeds only support Green Projects or to repay Green Bonds.

As long as the Green Bonds are outstanding and the Special Account has a positive balance, funds will be deducted when relevant, or at least annually, from the Special Account in an amount equal to all disbursements made during such year in respect of eligible Green Projects. All transfers from the Special Account will be documented to ensure a full audit trail and to simplify the Green Bond reporting.

The management of proceeds will be reviewed by an external auditor appointed by Heimstaden Bostad.

Temporary holdings

Positive balances of the Special Account may temporarily be placed in the liquidity reserve and managed accordingly. The maximum period that net proceeds may be unallocated is 12 months.

Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction, gambling or tobacco.

Reporting & Transparency

Heimstaden Bostad will annually and until maturity of the Green Bonds issued, provide a Green Bond Report, including reporting on allocation of proceeds and environmental impact of the Green Projects, to investors on its website: www.heimstadenbostad.com/.

Allocation reporting

Allocation reporting on proceeds will include the following information:

- I. A summary of Green Bond developments
- II. The outstanding amount of Green Bonds issued including share per type of debt instrument
- III. Total allocation of Green Bond net proceeds per Green Project Category
- IV. The balance of the Special Account (including any temporary investments and Green Bond repayments) and the available headroom in the value of the Green Projects (if any)
- V. The total proportion of Green Bond net proceeds used to finance new Green Projects (under construction or taken into operation less than 12 months prior to the approval by the Green Bond Committee) and the proportion of Green Bond net proceeds used to refinance Green Projects finalized earlier than that.

In the event of Green Bonds in the form of Commercial Papers are outstanding, Heimstaden Bostad will report quarterly, the value of Green Projects together with the total amount of outstanding Green Bonds on our website: www.heimstadenbostad.com/.

Impact reporting

The impact reporting aims to disclose the environmental impact of the investments in Green Projects made under this Framework, based on Heimstaden Bostad's Green Bond financing share of each project.

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 intention basis, e.g. if a Green Building is under construction but not yet operational, Heimstaden Bostad 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 on the next page. As Green Project categories include a number of different project types, the final key performance indicators could differ from the ones listed below. Energy production/savings and greenhouse gas savings are considered the most relevant and will be prioritized.

Heimstaden Bostad intends to show impact reporting on a project by project basis, but in some cases investments in the same category will be viewed as one project (e.g. investments under Building Energy Efficiency) and reported on as an aggregate.

Heimstaden Bostad will, to the extent possible, make every effort to follow the impact reporting principles stated in the "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting".

Key Performance Indicators

Green Project Category	Indicative Key Performance Indicators (KPIs)
<p>Green & Energy Efficient Buildings</p>  <p>TARGET 7-3 DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p>	<p><u>Buildings</u></p> <ul style="list-style-type: none"> • Building certification and/or Energy performance class • Energy use avoided below national buildings standards (kWh/m² or %) • Annual energy use avoided compared to the relevant building code (for new buildings) (MWh) • Annual GHG emissions reduced/avoided (tons of CO₂e emissions) <p><u>Major renovations</u></p> <ul style="list-style-type: none"> • Annual energy reduced compared to the pre-investment situation (MWh) • Annual GHG emissions reduced/avoided (tons of CO₂e emissions) <p><u>Energy efficiency</u></p> <ul style="list-style-type: none"> • Annual energy reduced/avoided (MWh) • Annual GHG emissions reduced/avoided (tons of CO₂e emissions)
<p>Renewable Energy</p>  <p>TARGET 7-2 INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY</p>	<ul style="list-style-type: none"> • Installed renewable energy capacity (kW) • Annual renewable energy generation (kWh) • Annual GHG emissions reduced/avoided (tons of CO₂e emissions)
<p>Clean Transportation</p>  <p>TARGET 11-2 AFFORDABLE AND SUSTAINABLE TRANSPORT SYSTEMS</p>	<p><u>Low-carbon transport and vehicles</u></p> <ul style="list-style-type: none"> • Number of vehicles • Annual GHG emissions reduced/avoided (tons of CO₂e emissions) <p><u>Low-carbon transportation infrastructure</u></p> <ul style="list-style-type: none"> • Number of charging points installed or upgraded • Annual GHG emissions reduced/avoided (tons of CO₂e emissions)
<p>Pollution Prevention & Control</p>  <p>TARGET 11-6 REDUCE THE ENVIRONMENTAL IMPACT OF CITIES</p>  <p>TARGET 12-2 SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES</p>  <p>TARGET 12-5 SUBSTANTIALLY REDUCE WASTE GENERATION</p>	<p><u>Removal of harmful substances</u></p> <ul style="list-style-type: none"> • Types and estimated quantity of substances removed (tons) <p><u>Waste management</u></p> <ul style="list-style-type: none"> • Quantity of waste that is prevented, minimized, reused or recycled before and after project (tons or % of total waste per year), as applicable • Reduced/avoided GHG emissions as a result of the investment (tons of CO₂e per year)
<p>Climate Change Adaptation</p>  <p>TARGET 13-1 STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS</p>  <p>TARGET 15-6 PROTECT BIODIVERSITY AND NATURAL HABITATS</p>	<p><u>Green spaces & Adaptive capacity</u></p> <ul style="list-style-type: none"> • Physical climate risk addressed and expected adaptation-related outcome (quantified if possible) • Number of individuals/households/m² addressed

External review

Second party opinion

CICERO Shades of Green has provided a second opinion to this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles 2018.

Assurance

An independent external auditor appointed by Heimstaden Bostad will provide, on an annual basis, limited assurance that an amount equal to the Green Bond net proceeds has been allocated to Green Projects.

Publicly available documents

The Green Bond Framework, the second party opinion, the limited assurance and the annual Green Bond Report will all be publicly available on Heimstaden Bostad's website: www.heimstadenbostad.com/



*Bryggens Bastion in Copenhagen – new production.
The entire district/neighborhood is DGNB Gold certified.*

Appendix 1

Main corporate governance documents governing Heimstaden Bostad's sustainability work and relevant information to investors:

General Corporate Governance and Ethics	Publicly Available?
Code of Conduct for business partners	Yes
Code of Conduct for employees	Yes
HR Policy	
Policy Environment	Yes
Policy Finance	Yes, partly
Policy Equal Rights and responsibilities	
Policy Procurement	
Policy Whistleblowing	
Policy Work Environment (Health & Safety)	
Sanctions Policy	Yes
Sustainability Strategy & Targets	
Tax Policy	

Heimstaden

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www.heimstadenbostad.com