

# KLÖVERN



KLÖVERN  
GREEN BOND  
FRAMEWORK

# 1. Introduction

## 1.1 About Klöver

Klövern is one of the larger listed real estate companies in Sweden. Klöver is committed, with closeness and commitment, to offering customers efficient premises in selected growth regions, including Stockholm, Gothenburg and Malmö as well as in Copenhagen. The company's vision is to create environments for future enterprise. This requires active construction of city neighbourhoods, districts and other business clusters. Klöver is primarily focused on offices but also offer premises for companies and organizations active in health care, education, retail as well as in warehouse/logistics. Furthermore, Klöver Living is working on a number of residential development projects.



As of 31 December 2017, Klöver's property portfolio consisted of 405 properties with a total area of 2.9 million square meters, valued at SEK 43.0 billion and a rental value of SEK 3.5 billion. The Klöver shares are listed on Nasdaq Stockholm.

## 1.2 Klöver's green and social work/ sustainability contribution

For Klöver, sustainable development means taking responsibility for the long term economic, environmental and social results. Klöver aims to provide environmentally adapted premises, developed and managed with the minimum possible use of resources and the least possible environmental impact. Each part of its business activities is to strive to act in an environmentally correct way. This is manifested, among other things, in owning environmentally certified buildings and offering green lease contracts to its tenants. The properties' energy consumption and heat consumption are important aspects in Klöver's work with environmental issues for which clear targets have been set. Namely, heat consumption shall decrease by at least 6% during 2016-2018 (decreased by 5% as of 31 December 2017) and electricity consumption shall decrease by at least 8% during 2016-2018 (decreased by 5% as of 31 December 2017). Klöver's heat consumption totalled 63.9 kWh/m<sup>2</sup> as of last December 2017 which is almost half of the average value (123 kWh / m<sup>2</sup>) "for heating and hot water in premises" according to the Energy Agency<sup>1</sup>.

Since 2011, Klöver has been environmentally certified in accordance with the Swedish standard "Svensk Miljöbas". The certification, which identified for instance the significant environmental impacts of Klöver's operations, has led to improvements in how this work is structured and also made it possible to introduce an environmental management system in compliance with ISO 14001. An environmental audit is carried out each year by an external body.

<sup>1</sup> ES 2017: 05 chapter 2.3

Moreover, Klöver supports the principles of the UN Global Compact<sup>2</sup>. Besides complying with legislation, Klöver has thereby undertaken to comply with and promote international conventions and standards on protection of human rights, working environment and working methods, environmental consideration and anti-corruption.



In one of the largest brand surveys in the Nordic region focusing on sustainability, Sustainable Brand Index B2B, Klöver has been designated as Sweden's second most sustainable real estate company and number one among the listed real estate companies. A sign that Klöver's long-term sustainability work is producing results.



### 1.3 The Green Bond Framework

Klöver's issuance of Green Bonds is a natural part of the company's sustainability profile enabling Klöver to focus even more on positive environmental impacts. When issuing Green Bonds, this Green Bond Framework (the "Framework") will apply.

Green Bond Principles 2017 ("GBP")<sup>3</sup> applies the following definition of green bonds: *"Green Bonds are any type of bond instrument 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 and which are aligned with the four core components of the GBP."*

This Green Bond Framework is aligned with the following 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). As such the Framework may be updated from time to time to reflect current market practices and potential updates in the GBP.

Furthermore, the Framework is reviewed by an external impartial firm that has provided a second opinion to confirm the alignment of the Green Bond Framework with the key features of the GBP.

This Framework is applicable for issues of Klöver's Green Bonds, whether secured or unsecured. The Framework together with the second opinion by Cicero is available on Klöver's website.

## 2. Use of Proceeds

Proceeds from Klöver's Green Bonds will be used to finance or re-finance, in part or in full, Eligible Green Assets (as defined below) providing distinct environmental benefits in accordance with the below defined two main categories. Klöver will continuously exercise its professional judgement, discretion and

<sup>2</sup> UN Global Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. 6<sup>th</sup> November 2017 <https://www.unglobalcompact.org/about>.

<sup>3</sup> Green Bond Framework principles (2017), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

sustainability expertise when identifying the Eligible Green Assets. Eligible Green Assets can be owned by the parent company Klöver or its subsidiaries or by any of Klöver's joint-ventures.

**Eligible Green Assets** relevant for use under the Framework include:

**Category I: New construction and major renovations**

- All new construction that either have or with the objective to receive minimum "Miljöbyggnad Silver<sup>4</sup>" certification after the completed construction)
- All new construction that i) either have or with the objective to receive minimum certification of "LEED Gold<sup>5</sup>" or "BREEAM SE Very Good<sup>6</sup>" or "BREEAM Very Good<sup>7</sup>" after the completed construction and ii) have an energy performance<sup>8</sup> at least 25 % below the current building regulation (Swedish BBR code)
- All major renovations with the objective to receive a certification after the completed renovation corresponding to the categories mentioned above.

**Category II: Existing buildings**

- Existing buildings having certification obtained during the construction period (see certifications mentioned in category I)
- Improvements conducted for existing buildings resulting in energy performance under 100 kWh/m<sup>2</sup> or reducing energy use by at least 25 % . Improvements may include some of the following:
  - ✓ Onsite renewables energy including solar panels that generate electricity or geo-thermal energy installations that can be used for both heating and cooling
  - ✓ Energy retrofits such as installing heat pumps, converting to LED lights or improvements in the ventilation system
  - ✓ Activities enabling clean transportation such as installing charging stations for electric cars
  - ✓ Improved waste management by offering recycling opportunities
  - ✓ Terrestrial and aquatic biodiversity conservation such as beehives on the roofs in a city environment that benefits pollination in the urban environment

Eligible Green Assets in **category I** correspond to the relevant invested amount. Eligible Green Assets in **category II** are based on the market value of such assets reported in the balance sheet, at time of the issuance of the Green Bond.

<sup>4</sup> Information available at <https://www.sqbc.se/var-verksamhet/miljobyggnad>

<sup>5</sup> Information available at <http://www.usgbc.org/certification>

<sup>6</sup> Information available at <https://www.sqbc.se/var-verksamhet/breeam>

<sup>7</sup> Information available at <http://www.breeam.org/>

<sup>8</sup> Energy efficiency in BBR expressed as "Primärenergital (PET)", Primary Energy Number; measured in kWh/m<sup>2</sup>, year

## 3. Process for Asset Evaluation and Selection

### 3.1 Environmental sustainability objectives

Klövern's vision is to provide environmentally adapted premises, which are developed and managed with the least possible resource utilization and environmental impact. Every part of the business is to be guided by sustainability. Particular environmental sustainability objectives declared by Klöver are available in Section 1.2.

### 3.2 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 Bonds are allocated to assets and activities which meet the criteria in the Framework. The process is based on the criteria and components described in the Framework.

The selection of Eligible Green Assets is managed by a dedicated group consisting of members from the Finance Department and Sustainability team. The Head of the Sustainability team is responsible for communication and has a veto in all decisions connected to the selection of the Eligible Green Assets.

A list of Eligible Green Assets is kept by the Finance Department and the Head of Finance is ultimately responsible for keeping this list up to date. The list of Eligible Green Assets is monitored during the term of the Green Bond to ensure that the proceeds are sufficiently allocated to Eligible Green Assets on a regular basis.

### 3.3 Exclusion

The proceeds of Klöver's Green Bond issuance will not be used to finance nuclear or fossil fuel energy generation.

## 4. Management of Proceeds

Net proceeds from Klöver's Green Bonds will be transferred to a designated account. The Finance Department is responsible for ensuring that the net proceeds are financing Eligible Green Assets in accordance with this Framework.

All Green Bonds issued by Klöver will be managed on a portfolio level. This means that a Green Bond will not be linked directly to one (or more) pre-determined Eligible Green Assets. Klöver 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. Klöver will document all transfers to and from the designated account in order to ensure transparent tracking and good control.

Any unallocated proceeds temporary held by Klöver will be placed on Klöver's ordinary bank account or in the short term money market.

## 5. Reporting

To be fully transparent towards the Green Bond investors and other market stakeholders, Klöver commits to regular reporting at least on an annual basis until full allocation, and thereafter if material changes to the portfolio, on the use of proceeds from Green Bonds and the environmental impact of the Green Bond portfolio. The report will be made available on Klöver's website and cover the following areas:

### Use of Proceeds

- Total amount of Green Bonds issued
- Total amount of unallocated proceeds
- Share of proceeds used for financing/re-financing as well as share of proceeds used for category I and category II
- Examples of the relevant Eligible Green Assets

### Impact Reporting

Klöver will publish a list of Eligible Green Assets with the below criteria indicating environmental impact to the extent data is available and not of a sensitive nature:

- Type of certification and degree of certification for buildings
- Energy performance (kWh/m<sup>2</sup>) for buildings
- Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e) for buildings
- Distribution capacity (megawatt) and storage capacity (megawatt) for onsite arrangements such as solar energy

## 6. External review

To confirm the transparency and robustness of Klöver's Framework, it is verified and approved by an external second opinion provider. The second opinion by Cicero is available on Klöver's website.