

A photograph of a child with curly hair swinging on a swing set. The scene is captured at sunset, with a warm, golden glow and bokeh light effects from trees in the background. A large, white, serif font 'IK' is superimposed over the center of the image, partially obscuring the child and the swing chains.

IK

GREEN BOND
FRAMEWORK

OCTOBER 2020

1. Introduction

1.1 ABOUT KLÖVERN

Klövern is one of Sweden's largest listed real estate companies. Klöver is committed, with closeness and commitment, to offer customers attractive premises and actively contribute to urban development in Stockholm, Gothenburg and Malmö but also in several strong regional cities across the country, as well as in Copenhagen and New York. 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 is working on a number of residential development projects. The company's vision is to create attractive and sustainable environments for future enterprise, individuals and society. This requires active construction of city neighbourhoods, districts and business clusters.

As an active city developer, Klöver works with developing entire city districts, not just individual properties. In this way, the prerequisites are created for modern, efficient workplaces, educational premises and housing in integrated and attractive environments. Existing properties are complemented with new construction and developed and refined in conjunction with letting vacant areas and implementation of energy-saving measures. Investments take place in order to create sustainable urban environments.

As of 31 December 2019, Klöver's property portfolio consisted of 343 properties with a total area of 2.5 million square meters, valued at SEK 52.4 billion and a rental value of SEK 3.8 billion. The Klöver shares are listed on Nasdaq Stockholm.

1.2 KLÖVERN'S SUSTAINABILITY CONTRIBUTION

For Klöver, sustainable development means taking responsibility for the long term economic, environmental and social results. Klöver has long-term and ambitious goals for sustainability. The overall goal is to ensure an attractive property portfolio which creates long-term sustainable value without negative impact on people or the environment.

Sustainability is integrated into all aspects of operations and shall lead to tangible results. The selected focus areas and sustainability goals reflect Klöver's responsibility to its stakeholders but also the areas where the opportunities for having an impact are greatest. They describe how Klöver's operations contribute to fulfilling the Global Sustainable Development Goals and they address at the same time the greatest business- and climate-related risks as well as the great challenges facing the construction and real estate industry. Klöver's goals aim to ensure that it maintains its position as one of the most sustainable real estate companies.



This is manifested, among other things, in our efforts to constantly lower the energy consumption and to only use renewable energy sources. New energy targets were adopted for 2019 with the long-term goal of halving the energy consumption per square metre by 2030 in comparison to 2018. Klöverns has always worked to reduce the properties' energy consumption and optimize operations. Since 2010, the building's energy performance has improved by almost 30%. As per 31 December 2019, Klöverns had reduced the average energy use in all assets to 95.4 kWh/sq.m. and already reached the first intermediate goal in the energy strategy of at least half of the properties shall have a lower energy consumption than 100 kWh/sq.m. The improved energy performance and transition towards renewable energy sources has at the same time resulted in decreased CO2 emissions/sq.m. with nearly 25%. Furthermore, low energy consumption is a prerequisite for obtaining environmental certification for buildings. Klöverns's ambition is to certify buildings corresponding to 50% of the property value to 2025.

Since 2011, Klöverns has been environmentally certified in accordance with the Swedish standard "Svensk Miljöbas". The certification, which identifies for instance the significant environmental impacts of Klöverns's operations, has led to the introduction of an environmental management system in line with ISO 14001. An environmental audit is carried out each year by an external body.

Moreover, Klöverns supports the principles of the UN Global Compact. Besides complying with legislation, Klöverns 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.

The results of Klöverns's sustainability work are reported annually, according to GRI, and are published in the annual and sustainability report and on the company's website, klovern.se. From 2016, Klöverns also reports sustainability performance pursuant to CDP, and scored B in 2019 Climate Change report. In April 2019, Klöverns made a commitment to set Science Based Targets, emissions reduction targets in line with climate science.

1.3 THE GREEN BOND FRAMEWORK

The establishment of this Green Bond Framework (the "Framework"), focusing on green and energy efficient buildings, will enable Klöverns's continued positive environmental impact in society.

This Framework has been developed in alignment with the Green Bond Principles 2018 ("GBP")¹. The Framework is applicable for issuance of Green bonds and other types of debt instruments where equivalent to net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing Eligible 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 Bond Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the GBP.

The Framework and second opinion from CICERO Shades of Green are available on Klöverns's website.

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/Guidelines>

2. Use of Proceeds

An amount equivalent to the net proceeds from Klöver's Green bonds shall be used to finance or re-finance, in part or in full, Eligible Assets providing distinct environmental benefits ("Green Eligible Assets"). Current pool of Green Eligible Assets consists of properties in Sweden; going forward some properties in Denmark and the US might be added which is always subject for requirements specified in Section 2.

Green Eligible Assets will contribute to the following UN SDGs: 7 – Affordable and clean energy, 8 – Decent work and economic growth, 9 – Industry, innovation and infrastructure, 11 – Sustainable cities and communities, and 15 – Life on land. Targeted environmental objective according to the EU Taxonomy for categories "Green and energy efficient buildings" and "Renewable energy" is *Climate Change Mitigation*. For "Biodiversity and resilience" a corresponding objective is *Protection and Restoration of Biodiversity & Ecosystems*.

GREEN ELIGIBLE ASSETS

The real estate sector is the single largest energy consuming sector in the EU, responsible for about 40% of total energy usage and 36% of total carbon emissions². Investing in green and energy efficient buildings, and in energy-efficiency solutions, thus play a key role in the clean energy transition.



² EU Taxonomy Report: technical Annex March 2020,

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

*The SDGs have been selected according to ICMA's 'A High -Level Mapping to the Sustainable Development Goals', and applies to underlying Green Eligible Assets, <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds-2020-June-2020-090620.pdf>

Green Eligible Asset	Sub-category
<p><i>Green and energy efficient buildings</i></p>	<p>Category I - New construction and major renovations</p> <p><u>Applicable in Sweden:</u></p> <ul style="list-style-type: none"> ✓ New construction that either have or with the objective to receive minimum “Miljöbyggnad Silver” certification after the completed construction ✓ New construction that i) either have or with the objective to receive minimum certification of “LEED Gold” or “BREEAM Very Good” after the completed construction and ii) have an energy performance at least 20% below the applicable national building regulation ✓ New construction with energy performance certificates (EPC) A or B in Sweden. Outside Sweden corresponding EPC levels, i.e. better than applicable national building regulations, are eligible ✓ Major renovations with the objective to receive a certification after the completed renovation corresponding to the categories mentioned above and with an energy performance at least 20% below the applicable national building regulation <p><u>Applicable outside Sweden:</u></p> <ul style="list-style-type: none"> ✓ New construction that i) either have or with the objective to receive minimum certification of “LEED Silver” or “BREEAM Good” after the completed construction and ii) have an energy performance at least 20% below the applicable national building regulation <p>Category II - Existing buildings</p> <ul style="list-style-type: none"> ✓ Existing buildings with certification from the construction phase mentioned in category I that is not older than ten years ✓ Existing buildings with obtained certification of “BREEAM-In-Use Very Good” and with an energy performance of less than 100 kWh/sqm ✓ Existing buildings with energy performance certificates (EPC) A and B. Outside Sweden corresponding EPC levels are eligible ✓ Improvements conducted for existing buildings resulting in reduced energy use by at least 30%. Improvements may include some of the following i) onsite renewables incl. solar panels or geo-thermal energy ii) energy retrofits such as installing heat pumps, converting to LED lights or improvements in the ventilation system iii) activities enabling clean transportation such as installing charging stations for electric cars etc.
<p><i>Renewable energy</i></p>	<ul style="list-style-type: none"> ✓ Off-site solar and wind energy projects developed and owned by Klöver
<p><i>Biodiversity and resilience</i></p>	<ul style="list-style-type: none"> ✓ Beehives on the roofs in a city environment that benefits pollination in the urban environment ✓ Other improvements/investments leading to more resilient societies such as construction of green areas, local dams or creeks in city development projects

Green Eligible Assets under “Green and energy efficient buildings” are based on the market value of such assets reported in the balance sheet, at time of the cut-off date for annual reporting of the Green bonds. Green Eligible Assets under “Renewable energy” and “Biodiversity and resilience”, correspond to the relevant invested amount.



3. Process for Asset Evaluation and Selection

3.1 SELECTION OF GREEN ELIGIBLE ASSETS

The evaluation and selection process for Green Eligible Assets is a key process in ensuring that the amount equivalent to the net proceeds from Green bonds is allocated to assets and expenditures which meet the criteria in the Framework.

The selection of Green Eligible Assets is managed by a dedicated group, the Green Bond Committee (“GBC”). The GBC consist of members from the Finance Department and Sustainability team. Klöver will make sure the sustainability expertise always relies within the GBC. The Head of the Sustainability is responsible for communication and has a veto in all decisions connected to the selection of the Green Eligible Assets.

A list of Green Eligible Assets is kept by the Finance Department and the Head of Finance is ultimately responsible for keeping this list up to date.

3.2 FURTHER RESPONSIBILTIES OF THE GBC

Klöver will follow the development of the green bond market and manage any future updates of the Green Bond Framework to reflect current and future market practices (such as the upcoming EU Taxonomy) and potential updates to the GBP.

The list of Green Eligible Assets is monitored on a regular basis during the term of the Green bonds to ensure that the proceeds are sufficiently allocated to Green Eligible Assets. This is also a responsibility of the GBC.

3.3 EXCLUSION

The proceeds of Klöver’s Green bonds will not be used to finance fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.

4. Management of Proceeds

Equivalent to the net proceeds from Klöver's Green bonds will be tracked by using a spreadsheet where all issued amounts of Green bonds will be inserted. The spreadsheet will also contain the list of Eligible 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 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 Green Eligible Assets. The Company will keep track and ensure there are sufficient Green Eligible Assets in the portfolio. Assets can, whenever needed, be removed or added to/from the Green Eligible Assets' portfolio.

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

5. Reporting

To be fully transparent towards sustainability investors and other stakeholders, Klöver commits to regular reporting as long as it has Green bonds outstanding. The report will be published on the Company's website on an annual basis and will cover the following areas:

ALLOCATION OF PROCEEDS REPORTING

- ✓ Total amount of Green bonds 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)
- ✓ Examples of the relevant Green Eligible Assets

IMPACT REPORTING

Klöver intends to report on quantitative impact indicators where feasible and relevant data is available for the below three main categories.

Green and energy efficient buildings:

- ✓ Type of certification and degree of certification for buildings
- ✓ Energy performance certificate (if relevant)
- ✓ Energy performance for buildings (kWh/m²/year)
- ✓ Reduction in energy consumption (%)
- ✓ Estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e)

Renewable energy:

- ✓ Annual renewable energy generation (MWh or GWh)
- ✓ Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

Biodiversity and resilience:

- ✓ Area occupied by invading species before and after the project (m²)
- ✓ Number of species

6. External review

SECOND PARTY OPINION

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

EXTERNAL PART/VERIFIER

The numbers presented in the Impact Reporting are based on Klöver's Climate Report/Sustainability Report (calculations according to the Greenhouse Gas Protocol), which is subject for third party verification.



KLÖVERN