

# *Green Bond Framework*

## *Fastighets AB Balder*

10 May, 2019





# *An introduction to Balder*

Fastighets AB Balder, henceforth Balder, acquires, develops and manages residential and commercial properties in larger cities and cities with growth potential in Sweden, Denmark, Finland, Norway, Germany and Great Britain. Since 2014, Balder is also one of Sweden's largest owners of hotel buildings, with hotels located in the central parts of Gothenburg, Copenhagen, Stockholm, Malmö, Berlin, Gelsenkirchen and Helsinki.

Balder generates good profit through efficiency and high level of activity in its property management. Since the start of the company in 2005, Balder has taken the long-term perspective on urban development and property development, prioritising stable cash flows and satisfied customers and employees as made evident by financial results and structured dialogues with parties of interest.

By means of acquisitions, divestments and new production, the company will build an extensive portfolio of buildings and building rights for development properties and real estate projects, with the aim to continuously produce new rental apartments, tenant-owner's apartments and commercial properties to manage.

## **Balder's sustainability approach**

Because buildings have a large impact on society and the environment, sustainability is a crucial component of Balder's business. By minimising the use of energy, water and chemicals, Balder contributes to the sustainable development of the environment. For that same reason, renewable sources of energy are chosen whenever possible as well as non-hazardous building materials. Balder's contribution to the circular economy includes minimising waste and encouraging re-cycling amongst

tenants. Transports are a necessary component of the business and Balder works continuously to improve efficiency in this aspect too.

Energy consumption is the largest single contributor to Balder's environmental footprint. For many years Balder has continuously strived to lower the amount of energy used in its buildings. To this end, Balder offer its employees training for them to provide the tenants with information on how to act more sustainably, as well as conducts projects aimed at improving performance of the insulation, ventilation, laundry rooms, light systems and windows. Plans to change energy sources have been made in the few cases where buildings are relying on non-renewables. The total consumption, degree day corrected, of electricity, heating and cooling amounted to 152.50 kWh/sqm in 2018, compared to 163.53 kWh/sqm in 2017 <sup>1)</sup>.

1) Calculation based on properties in Sweden owned by Fastighets AB Balder during the entire financial year 2018.

Balder has environmental certificates for some of its buildings, including Miljöbyggnad, BREEAM, LEED and Green Building, and several buildings are constructed according to Nearly zero-energy building (NZEB) standard. The goal is for all new constructions to meet the requirements of Miljöbyggnad Silver or equivalent certification.

Social engagement is a natural part of Balder's work and a way to help promote sustainable development. Balder engages in these issues both locally and regionally and strives to ensure that people feel comfortable in and around the company's properties. This increases tenant satisfaction and protects the value of the buildings.

Balder strives to be a positive influence in the neighbourhoods where it

owns property. Balder co-operates with members of the community such as municipalities, schools, the police and local associations and businesses to improve integration, security and satisfaction in the areas in question. This includes for example engaging neighbourhood watch and security officers as well as activities of a more social character, such as collective cultivation projects and improvements to the outside space of the buildings. Also, each summer Balder employs young people who live where Balder owns property to work during the school holiday.

Another important aspect to Balder is that its operations are run in an ethical manner. This is ensured through internal routines and steering documents, such as the Code of Conduct and internal

trainings. For a property company such as Balder, routines for letting, recruitment and choice of suppliers are of particular importance. Policies and routines guide employees to act in a respectful and professional way towards all stakeholders while minimising risks, including those of discrimination and corruption. The steering documents paired with Balder's values, create the foundation for a positive corporate culture, which generates long-term value for the company and its owners.

All Balder's employees are obliged to act in accordance with Balder's Code of Conduct, which is based on international guidelines such as the United Nation's Global Compact, ILO's core principles and OECD's guidelines for multinational companies.

Park 49, Gothenburg



**Balder works with the following of the United Nation's Sustainable Development Goals:**



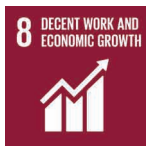
Environmental sustainability is an important part of Balder's long-term value creation. Besides a strong focus on the efficient use of energy, the company adapts to renewable energy innovation to become non-reliant on non-renewable sources of energy. Since 2009 Balder has two wind farms in Sweden, with ten wind turbines in total.



Continuously working towards more efficient use of resources, in particular by means of adopting new and innovative methods, Balder supports sustainable industrialisation and innovation. For example, local suppliers are contracted where possible to promote local business.



Promoting sustainable consumption and production, Balder's waste management efforts include the company and all its employees, but tenants alike are encouraged in different ways to re-cycle. The company will also continue to increase the level of reuse and recycling in renovation projects.



Balder's commitment to a diverse work force supports employment of people who are more likely to stand outside the workforce. The company provides a decent working place for all employees, hence supporting economic growth. Balder also employs many young people living in the company's areas as summer workers each year.



Sustainable cities have a very strong connection to Balder's work, and the company takes an active part in the development of areas and neighbourhoods. The home construction programs developed in the 1960s and 1970s were often built with a separate clustering of work, housing and centres. By constructing new housing with mixed forms of usage Balder contributes to breaking the separation and increasing security. Further, mixing work and housing gives more work opportunities in the local environment and creates new meeting places. Solutions for increased mobility, such as proximity to public transport, bicycle paths and electric car pools are also prioritized in the development of properties and areas.



In all operations Balder takes special care of the environmental impact that the company has, particularly regarding its buildings. This includes the management of buildings, as well as the construction phase. In Balder's operations, transports also have an impact on the environment and climate, and different measures are taken to reduce this impact. For example, the company's travel policy supports more environmentally friendly means of transports, and alternatives to business trips, such as video conferences and telephone meetings, are encouraged.

*More information on Balder's sustainability work can be found on [www.balder.se](http://www.balder.se).*

This Green Bond Framework is aligned with the Green Bond Principles published in 2018 by the International Capital Markets Association. Recognising that the Green Bond market and best practices are still evolving, Balder will follow market developments and, when deemed necessary, make appropriate updates to this Green Bond Framework.

# Use of proceeds

All proceeds from Green Bonds issued under this framework will be fully invested in compliance with the below list of Eligible Assets and Projects. Eligible Assets and Projects will contribute either

to the adaptation and/or mitigation to climate change. Proceeds may be used for both the funding of new assets and projects as well as re-financing.

Green Bonds will not be used to finance

investments linked to fossil energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.



Hotel Draken, Gothenburg

## Eligible Assets and Projects

### Green and energy efficient buildings



Newly constructed, acquired, refurbished or existing buildings will have at least one of the following certificates:

- Miljöbyggnad “Silver” certification (or better)
- LEED “Gold” certification (or better)
- BREEAM “Very Good” certification (or better)
- Nordic Swan Ecolabel
- BREEAM in-use “Very Good” (or better)
- Nearly zero-energy buildings <sup>2)</sup>



In addition to the certificates as outlined above, all green and energy efficient buildings eligible have additional requirements on energy efficiency. Eligible new buildings and buildings with major renovations done to them will have at least 25% better energy efficiency compared to National Building Regulation valid at the time of approval by the Green Bond Committee. Eligible existing buildings will have at least 25% better energy efficiency compared to National Building Regulation valid when the building was awarded a certificate.

### Energy Efficiency



Projects which aim to improve the energy efficiency by at least 25 %. These may include, but are not limited to, performance improvement to the insulation, ventilation, light systems and windows of buildings owned by Balder.



### Renewable Energy



To increase the share of renewable energy used within Balder’s building stock and operations, Balder will make investments to support its ambition to increase the share of energy used in its operations, and buildings, deriving from renewable sources by acquiring relevant equipment for relevant types of renewable energy sources, exemplified by but not limited to solar power equipment and various types of geothermal energy solutions.

<sup>2)</sup> Nearly zero-energy buildings are defined in line with EC Article 2(2) of the EPBD. Nordic, zone 5: i) offices 55-70 kWh/(m<sup>2</sup>y) of net primary energy with typically, 85-100 kWh/(m<sup>2</sup>y) of primary energy use covered by 30 kWh/(m<sup>2</sup>y) of on-site renewable sources and ii) new single family houses 40-65 kWh/(m<sup>2</sup>y) of net primary energy with typically, 65-90 kWh/(m<sup>2</sup>y) of primary energy use covered by 25 kWh/(m<sup>2</sup>y) of on-site renewable sources.

# Process for project evaluation and selection

Balder has established a process ensuring that Green assets and projects are continuously included into Balder's Green Asset Pool. As part of this process a Green Bond Committee, consisting of the Head of Finance and the Head of Sustainability, has been formed, which will meet no more seldom than twice yearly.

*The process for identifying such assets is as follows:*

Firstly, suggestions of potentially eligible

assets and projects are brought forth by project managers and other employees to the Green Bond Committee.

The Green Bond Committee is responsible for evaluating and selecting assets and projects eligible for Green Bond funding. Eligible assets and projects must be aligned with i) the structure outlined in the Use of Proceeds section of this Green Bond Framework as well as ii) all relevant internal policies and guiding documents, including the Sustainability Policy and Code of Conduct.

A record will be kept by the Green Bond Committee of the decisions made by it regarding assets added to the Green Pool.

Furthermore, the Green Bond Committee oversees that this document is updated should future market developments require it.





Munspelsgatan, Gothenburg

## *Management of proceeds*

The net proceeds of any bond issued under this Green Bond framework will be tracked by Balder in accordance with its internal instructions and will be monitored by the internal auditing department. Balder will keep a record of which assets have been financed with proceeds from a Green Bond.

If an asset or project financed by a Green Bond no longer qualifies as eligible during the life of the bond, the asset or

project will be replaced by other assets or projects that meet the definitions set out in this Green Bond Framework. Balder's executive management team will ensure that the amount of identified eligible assets and projects exceeds the total amount of Green Bonds outstanding at the maturity of the bonds.

Balder will keep and monitor a separate register of Eligible Projects and net proceeds from the combined Green Bond

issuance. If, at any time, the total amount of proceeds from Green Bonds exceed the total value of Eligible Projects, this will be placed in line with Balder's handling of short term excess liquidity. Proceeds from Green Bonds will not be used to finance investments linked to fossil energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.



# Reporting and impact

Balder provides transparency on the impact related to investments made with proceeds from their Green Bond issuances by means of an Impact Report. The Impact Report, which will include details of allocation as well as impact, will be published annually on Balder's website so long as Balder has Green Bonds outstanding.

## **The report on allocation shall include the following components:**

- A list of all eligible assets and projects funded including amounts allocated
- More detailed descriptions of a few selected projects and/or assets financed by Green Bonds
- Amounts invested in each investment category as defined in the Use of Proceeds section and the relative share of new financing versus refinancing

## **The report on impact shall include the following components:**

Balder will strive to report on the actual environmental impact of the investments financed by their Green Bonds. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact shall be reported.

The impact indicators may vary with investment category, as defined in this Green Bond Framework. The impact metrics selected may include the following:

### *Green and energy efficient buildings:*

A list of all buildings funded showing, per building:

- i) Environmental certification,
- ii) Energy consumption by absolute consumption (kWh) and intensity (kWh/sq meter) per year
- iii) Carbon dioxide emissions avoided
- iv) Energy source by relative split

### *Energy efficiency*

- Amount of energy saved (MWh) or estimated annual GHG emissions reduced or avoided (tCO<sub>2</sub>e) per project

### *Renewable energy*

- Annual generation (MWh) or estimated annual GHG emissions avoided (tCO<sub>2</sub>e)

# External review

Balder has obtained a Second Opinion from Cicero Shades of Green to confirm this Green Bond Framework's alignment with the ICMA Green Bond Principles

2018. Cicero Shades of Green has awarded this Green Bond Framework with a Medium Green Shading. The Second Opinion, together with this Green Bond

Framework, is available on Balder's website [www.balder.se](http://www.balder.se).