



BONAVA

Green Financing Framework

February 2020

Table of contents

03. Background

04. Bonava Green Financing Framework

05. Use of Proceeds

06. Green Asset Criteria

06. Green & energy efficient buildings

07. Process for asset evaluation & selection

07. Management of Proceeds

08. Reporting & Transparency

08. External review

Background

Who we are

Bonava is a leading residential development company in northern Europe, listed on the Swedish stock exchange. We develop and sell affordable and sustainable multi-family and single-family housing to consumers and investors in selected markets in Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. A common factor of the target markets is the focus on metropolitan regions with clear growth potential and a stable local labour market, creating demand for new housing over time.

Accelerating urbanisation is setting new demands for residential development companies. We address these demands through joint planning with other parties, such as municipalities, investors and other stakeholders, in expansion zones. This involves planning for service functions and green spaces, delivering innovative parking solutions, and facilitating the usage of sustainable transport alternatives. Bonava has created homes and neighbourhoods since the 1930s.

Bonava's Sustainability Agenda

We have prioritised the most important aspects of sustainability for Bonava and established an agenda which forms the basis of our sustainability work. The sustainability agenda supports several external commitments, being that: Bonava will comply with the principles of human rights, working conditions, environment and anti-corruption in the UN Global Compact, contribute to the UN Global Sustainable Development Goals (SDGs), follow the OECD Guidelines for Multinational Enterprises as well as reporting according to the Global Reporting Initiative (GRI). The sustainability agenda has four focus areas, including Happy Neighbourhoods, Protecting our planet, Passionate workplace and Conducting a reliable business. The proceeds of the green debt instruments issued under this document (the "Green Financing Framework") will be used to contribute to our overarching sustainability agenda, and specifically aligns with the objectives of the first two focus areas, further described below.

Protecting our planet

Residential neighbourhoods affect the environment globally and locally, during and after production. Our aim is to be part of the solution to minimise the environmental impact of housing development and promote responsible use of resources and land. Bonava was the first residential developer in Northern Europe to set Science Based Targets.

We are committed to reducing our absolute scope 1 and 2 GHG emissions in line with a 1.5-degree scenario by achieving a 50% reduction by 2030 from a 2018 baseline. We will also reduce the lifetime carbon impact per Bonava home, by reducing scope 3 GHG emissions per production started housing unit, by 50% by 2030 from a 2018 baseline. To achieve these goals, we are working towards a circular production model, sustainable use of land that supports local biodiversity and resilience against climate change, developing resource-efficient buildings, and using sustainable and non-hazardous materials.

Environmental certifications are an effective tool to ensure resource-efficient and environmentally adapted buildings. The Nordic Swan Ecolabel is the certification scheme that best fits Bonava's focus and processes. The Nordic Swan Ecolabel considers the environment throughout the construction process – from raw materials to completed buildings. The labelling scheme imposes requirements on resource efficiency and use of materials, energy efficiency, chemical products, building products/goods, and a number of indoor environmental factors relevant to health and to the environment. Bonava certifies all new production in Sweden and Denmark with the Nordic Swan Ecolabel and the ambition is to increase the scope to other Nordic countries.

Happy Neighbourhoods

Bonava's vision is to create happy neighbourhoods for the many. This means that we should be able to provide affordable housing in well-functioning neighbourhoods, where people feel a sense of belonging and have the highest quality of life. To ensure that we reach our vision, we needed to understand and identify the drivers of neighbourhood happiness for different individuals and in different markets. This made us initiate "Happy Quest" - a unique survey conducted every second year targeting a representative sample of the population in each one of our eight markets. Common factors for neighbourhood happiness across different markets are to feel safe and that the neighbourhood has a good vibe and atmosphere as well as proximity to grocery stores and shopping centres, parks and green areas, and possibility to walk and bike. The findings from Happy Quest are integrated in our Happy Neighbourhood Tool - our way to systemise knowledge and solutions on how to create happy neighbourhoods. All new projects of Bonava are developed using the Happy Neighbourhood Tool, including for example the integration of green spaces, support for sustainable transport, and creating opportunity for a physically active life.



Bonava Green Financing Framework

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

Under this Framework, Bonava may issue green debt instruments for which the proceeds will target sustainable housing development, aiming to promote positive environmental impacts. Green debt instruments (“Green Debt”) may include Green Bonds or other types of debt financing such as Commercial Papers and Revolving Credit Facilities (RCFs).

This Framework defines the assets and investments eligible for financing by Green Debt. In addition, the Framework outlines the process used to identify, select and report on eligible assets and the set-up for managing the Green Debt. The terms and conditions in the underlying documentation for each Green Debt instrument issued by Bonava shall provide a reference to this Framework.

Bonava has worked with Danske Bank to develop the Green Financing Framework. Sustainalytics has provided a second opinion to the Framework, which is publicly available at Bonava’s website. Bonava will assign an external auditor to annually provide a limited assurance of the management of proceeds.

February 2020



Chief Executive Officer



Chief Financial Officer



Group Head of Sustainability



Use of Proceeds

Allocation of net proceeds

An amount equal to the net proceeds of the Green Debt will finance or refinance, in whole or in part, investments undertaken by Bonava that promote the transition towards a low-carbon and environmentally sustainable society (“Green Assets”), in each case as determined by Bonava in accordance with the Green Asset category defined on the next page. Green Assets will form a portfolio of assets eligible for financing and refinancing by Green Debt.

Financing and refinancing

New Green Assets are defined as assets under development¹ or housing units completed less than 12 months prior to approval by the Green Financing Committee, while refinancing is defined as housing units completed earlier than 12 months prior to approval by the Green Financing Committee.

Look-back period for refinancing of completed housing units is 24 months.

Exclusions

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

¹ Includes land held for development, development costs and housing units under construction.



Green Asset Criteria

Green and energy efficient buildings

The financing or refinancing of investments related to the development² and completion of housing units that are designed and intended to achieve, at least one of the following criteria:

- i. A Nordic Swan Ecolabel certification,
- ii. An Energy Performance Certificate with energy class A or B, or meet the requirements of Nearly Zero Energy-Buildings (NZEB)³,
- iii. A DGNB “Gold”⁴ certification, or
- iv. Otherwise determined to belong in the top 15 % most energy efficient buildings in their respective region, for instance, through a specialist study.⁵

Investing in resource- and 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 (EU Taxonomy, 2019). Investing in low-carbon and energy-efficient buildings thus play a key role in the clean energy transition. Emissions are not only generated during the operational phase of a building but also during the extraction, manufacture and transport of building materials as well as in the construction period.

Bonava aims to develop homes with a better energy performance than required by the relevant national building regulation. [The Nordic Swan Ecolabel](#) is Bonava’s first choice of building certification to ensure a minimum environmental impact throughout the life of the building. The Nordic Swan Ecolabel is a life cycle assessment-based methodology which sets obligatory requirements throughout the construction process. These includes strict requirements on resource efficiency (e.g. energy consumption, lighting and waste management), indoor environment (radon and moisture prevention, ventilation and daylight), and requirements on products, goods and materials used in the construction, and quality management throughout the construction process.

TARGET	12-2	TARGET	12-4	TARGET	13-3
SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES		RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE		BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE	

² Development costs include the acquisition of land and cost of soil remediation.

³ Nearly Zero Energy-Buildings (NZEB) are buildings with a very high energy performance, as defined by each EU Member State. The Energy Performance of Buildings Directive requires all new buildings within the EU to meet the NZEB requirement in the respective country from 2021.

⁴ Certification provided by the German Sustainable Building Council.

⁵ In the event a specialist study is used, the methodology will be verified by Sustainalytics.

Process for evaluation & selection

Bonava's overall management of environmental, social, governance and financial risks is a core component of our decision-making processes. Our risk management strategy is stated in our policies, guidelines and instructions. The process for evaluation and selection of Green Assets will follow the same standard decision-making process.

Evaluation and selection of assets

Green Assets shall comply with the eligibility criteria defined under the Green Asset Criteria. The process of evaluating and selecting eligible Green Assets as well as the allocation of Green Debt proceeds to eligible Green Assets comprise the following process:

- 1) Representatives and sustainability experts within Bonava evaluate potential Green Assets, their compliance with the Green Asset Criteria, and their environmental benefits.
- 2) A list of the potential Green Assets is presented to Bonava's Green Financing Committee (the "GFC"). The GFC is solely responsible to acknowledge the asset as green, in line with the Green Asset Criteria. Green Assets will be marked as green in a dedicated "Green Register". A decision to allocate net proceeds will require consensus decision by the GFC. The decisions made by the GFC will be documented and filed.

Green Financing Committee (GFC)

The GFC is chaired by the Group Head of Sustainability and includes the following members:

- Group Head of Sustainability
- Group Head of Treasury
- Group Head of Strategy & Analysis

The GFC will convene once a year or when otherwise considered necessary. The GFC holds the right to exclude any Green Assets already funded by Green Debt net proceeds. If a Green Asset is sold, or for other reasons loses its eligibility, funds would then follow the procedure under Management of Proceeds until reallocated to other eligible Green Assets.

Management of proceeds

Separate account

Should the nominal amount of Green Debt outstanding at any time exceed the value of Green Assets in the Green Register, the unallocated Green Debt net proceeds will be credited a "Separate Account". The unallocated amount will be disclosed in Bonava's Green Debt reporting. In the event that the value of the Green Assets exceeds the nominal amount of Green Debt outstanding, a transfer can be made from the Separate Account. Any transfers from the Separate Account will be documented, to ensure tracking and simplify the Green Debt reporting.

Temporary holdings

Unallocated Green Debt net proceeds may temporarily be placed in short-term interest bearing securities while pending allocation to eligible Green Assets.

Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Reporting & transparency

Bonava will annually and until maturity of the Green Debt issued, provide investors with a Green Debt Report describing the allocation of proceeds and the environmental impact of the Green Assets. The report will be made available on our website together with this Green Financing Framework.

Allocation reporting

Bonava will provide annual allocation reporting with the following information:

- i. A summary of general Green Debt developments
- ii. The outstanding amount of Green Debt instruments
- iii. The balance of Green Assets in the Green Register
- iv. Total proportion of Green Debt net proceeds used to finance land, housing units under construction and completed housing units
- v. The total proportion of Green Debt net proceeds used to finance new Green Assets (assets under development or housing units completed less than 12 months prior to approval by the Green Financing Committee) and the proportion of Green Debt net proceeds used for refinancing (housing units completed earlier than 12 months prior to approval by the Green Financing Committee).

In the event of outstanding Green Commercial Paper, Bonava will report quarterly on the value of Green Assets and the total amount of outstanding Green Debt.

Impact reporting

Bonava will provide an annual impact report, to be published on the website. The impact reporting aims to disclose the environmental impact of the Green Assets financed under this Framework, based on Bonava's financing share of each asset.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be based on best estimates of future energy performance levels.

The impact assessment will be based on the Key Performance Indicators listed in the table below.

Green Asset	Indicative Key Performance Indicators (KPI)
Green & energy efficient buildings	<ul style="list-style-type: none">• Environmental building certification or Energy performance class (as applicable)• Avoided energy use compared to requirement for building permit (MWh per year) (as applicable)• GHG savings (tonnes per year) (as applicable)

External review

Second Party Opinion

Sustainalytics 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 Bonava will provide, on an annual basis, limited assurance that an amount equal to the Green Debt net proceeds has been allocated to Green Assets.

Publicly available documents

The Green Financing Framework, the second party opinion, the limited assurance and the annual Green Debt Report will all be publicly available on Bonava's website.