

HUFVUDSTADEN

GREEN BOND FRAMEWORK

SEPTEMBER 2021



Important notice

This document (**the “Green Bond Framework” or “Framework”**) contains information on Hufvudstaden's (**“Hufvudstaden”**) and its potential use of bond financing with added environmental criteria (**the “Green Terms”**). Any such bond financing by Hufvudstaden that includes the Green Terms in its associated financing documentation, by reference or inclusion, as detailed in this document or in future versions of this document, will be designated as a Green Bond (**“Green Bond”**).

Depending on the language of the bond documentation the Green Terms in this Framework may be translated into other languages, as required or preferred in the local jurisdiction. Furthermore, all parties are advised to review the risk factors in the relevant bond documentation. Any issuance of notes will be subject to the version of the Green Terms in the associated bond documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Framework on Hufvudstaden's website.

Investors and third parties are advised to conduct an independent evaluation of the relevance and adequacy of the information in this Framework and for making such other investigations considered necessary prior to entering into any of the types of transactions or arrangements where the Green Terms would be applicable, for instance regarding the adherence to current and future regulation, standards or market practices such as the Green Bond Principles, the forthcoming EU Green Bond Standard or The EU Taxonomy.

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Background

The rising threat of climate change

In January 2021 the UN World Meteorological Organization concluded that 2020 was one of the three warmest years on record and that the last ten years had been the warmest since measurements began in the late 19th century. The general secretary of the WMO, Petteri Taalas, had previously announced that global warming already reached 1.1 °C since pre-industrial times and that we are on a trajectory to reach between 3 to 5 °C warming by the end of the century. This will be a large challenge for the global community and the effects of global warming will impact all nations and people. For a property company like us, a rapid decrease in energy use, development of climate efficient construction techniques and solutions that enable our tenants to lessen their climate footprint will be vital to achieve the necessary emission reductions going forward. The long-term approach adopted by Hufvudstaden is unique and our sustainability work is an integral part of our operations, regardless of whether the focus is on climate, environmental or social issues.

This is Hufvudstaden

Hufvudstaden is a property company that owns 29 properties in the most central areas of the two largest cities in Sweden, Stockholm and Gothenburg. The property holdings are commercial and comprise mainly office and retail space. At the end of 2020, the properties were valued at SEK 45.6 billion. We have been operating in Stockholm for more than 100 years and for more than 60 years in Gothenburg. The Group includes the wholly owned subsidiary AB Nordiska Kompaniet, which owns the NK brand and has department stores in Stockholm and Gothenburg.

In the beginning of 2021 NK acquired the NK business within Departments & Stores Europe AB. The business was acquired by NK Retail AB, a wholly owned subsidiary of NK. NK Retail runs about 40 departments within fashion, cosmetics and jewellery at NK Stockholm and NK Gothenburg together comprising around 25 per cent of the total number of departments in the two stores.

At year end Hufvudstaden had 45,171 registered shareholders, the largest of which is LE Lundbergföretagen AB with 46.2 per cent of the outstanding shares. Hufvudstadens vision is to consistently be perceived as the most attractive property company in Sweden.

Sustainability at Hufvudstaden

For Hufvudstaden, sustainability is a prerequisite for our business and it is therefore a cornerstone in everything we do. In 2020 we adopted a new sustainability plan, which sets guidelines for our sustainability work. The plan covers three focus areas; minimise, future-proof and collaborate. Each focus area comes with a target and several activities. By minimizing our climate footprint, future-proofing our business and collaborating with our stakeholders, we work actively and long term for environmental, social and economic sustainability. Our sustainability work has been developed to be in line the UN Sustainable Development Goals (SDG:s), we comply with and support the principles set out in the UN Global Compact and work in line with our Code of Conduct. Our strategies and values provide a firm basis for achieving our sustainability goals and contributing to a sustainable society. Our employees have a key role to play in the success of our sustainability work, and we aim for all our employees to feel committed and know how they can contribute to our sustainability plan. During spring 2021 all our employees were introduced to our new sustainability plan and goals. The implementation of the sustainability plan will continue during fall 2021. Each business area will then have to develop tangible targets and actions plans, that will contribute to achieve our overall sustainability goals.

Sustainability is integrated into the control and follow-up processes that are in place for our business operations. For example, for all building projects and general agreements, contractors are procured with regard to social and environmental sustainability requirements. When we purchase goods and services, high sustainability requirements are set based on our code of conduct, supplemented with additional requirements on working environment, working conditions and the environment, which are then regularly monitored. Last year we started a development project regarding a sustainability assessment for suppliers, and we aim for all our main suppliers to undergo this assessment yearly. Hufvudstaden's Head of Sustainability reports to the Head of Property Development, who is a member of the Senior Executive Management.

Since 2011, we have reported our sustainability work in accordance with the GRI (Global Reporting Initiatives) Sustainability Reporting Guidelines, including sector-specific supplements for the construction and property sector. Furthermore, we follow and reports according to the EPRA-guidelines.

WE ARE DEVELOPING VIBRANT AND SUSTAINABLE ENVIRONMENTS FOR PEOPLE IN THE HEART OF THE CITY



Our ability to promote sustainable development and create value for our stakeholders is embodied in our business concept, which covers the long-term management and development of commercial properties in central Stockholm and central Gothenburg. Examples include creating flexible, energy-efficient solutions for different operating areas and participating in urban development projects with other organizations in the society.

Long-term thinking and quality are two pillars in our vision of being consistently perceived as the most attractive property company in Sweden. We are aware of the need to construct sustainable buildings and create solutions that are flexible and robust over time. By choosing design and functionality combined with quality, there is less risk of material replacement in conjunction with a change of tenant. Today, 60% of our buildings are environmentally certified. To further assure quality and future-proof our assets we have set a target to have all our properties environmentally certified by 2025.

SUSTAINABILITY OBJECTIVES

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> • 16 per cent reduction in energy use per square meter between 2019-2025. • Climate emissions from construction activities cut in half during the period of 2019-2030. | <ul style="list-style-type: none"> • Property operations to be climate-neutral by 2025. • Promote sustainable supply chains. • Zero tolerance against serious workplace accidents. | <ul style="list-style-type: none"> • The properties will be future proofed against climate changes. • All properties to be environmentally certified by 2025. • All new financing to be green from 2025. |
|---|---|---|



Hufvudstaden was awarded the GRESB 5 star and Sector Leader recognition in 2020. Hufvudstaden has had a five-star GRESB rating since 2018, which was also the first year assessed.



Example of Sustainable Property Development The Property Skären 9

During 2020 the expansion and redevelopment of the Skären 9 property, located in Bibliotekstan in Stockholm, was completed. The project is characterized by a distinct focus on long-term sustainability with the goal to create a flexible property that is as attractive now as in the future. Installation of more efficient heating and ventilation systems and solar panels with a battery energy-storage system, will enable an expected decrease in energy use by 30% even though the floor space has increased.

The property is environmentally certified under BREEAM In-Use with a rating of Excellent. We have also established a roof meadow on the building that both enables increased biodiversity, ecosystem services and tenants' health.

Path towards climate neutrality

The transition to low-carbon property operations and management and to reduce the footprint of new development and refurbishment projects is a significant challenge for the property sector globally. A large proportion of society's total energy use and greenhouse gas emissions derive from the property sector. To improve energy efficiency and reduce our climate impact is therefore a top priority for us. We strive to be in line with the Paris agreement within a decade, while at the same time contributing to realizing the Swedish objective of national net climate neutrality by 2045.

Our goal is to have climate neutral operations of our properties by 2025 and to reduce our energy use by 16% between 2019 and 2025. Our energy use has fallen by 34% percent since 2010 and according to Statistics Sweden's (SCB) figures for non-residential premises, Hufvudstaden's energy use for heating is approximately 70 per cent lower than the national average. Our bought electricity is 100% renewable origin-labelled hydropower.

To further reduce our impact, we aim to reduce emissions from our new builds and renovations, as well as their use of energy. With a small and concentrated portfolio in central locations with significant heritage and cultural values, preservation and improvements are key enablers for our shift to lessen our climate impact over time and we are continuously investing in energy efficiency improvements. For example, we recently modernised the technical systems at NK Parkaden (Stockholm) to improve energy efficiency and at the Femman property in Nordstan (Gothenburg) we installed lighting control systems and commenced a project to replace all the windows, which is anticipated to halve the energy use.

Regarding new development, resource efficient construction techniques will be crucial. Our goal is to halve climate emissions from construction operations during the period 2019-2030. The effort to calculate our indirect emissions from building activities is on-going. To reach our goal, cooperation with the rest of the industry will be crucial and we intend to play a key role in the transition of the sector. Innovative thinking and energy-efficient technology are prioritized when choosing products as part of the undertaking to reduce energy use. When we carry out an environmental examination of building products, we make use of the BVB system (Byggvarubedömningen), which is the property industry's environmental assessment database for construction materials.

We have solar cells on several of our properties and in our property Kåkenhusen 40 we have installed a geoenergy solution to create heat, cooling and store energy, which has led to a halved energy demand for the property. To achieve our long-term energy goals further investments in climate-smart technology and energy measures are required and planned.

Continuously, we evaluate the outdoor environment of our properties for example by upgrading courtyards and roof terraces to create what could be described as 'urban oases' for our employees and tenants. Choosing natural materials and creating green spaces help to increase well-being, while at the same time contributing to biodiversity in the urban environment through the creation of habitats for insects.



**Example of on-going Sustainable
Property Development
Rebuilding Vildmannen 7**

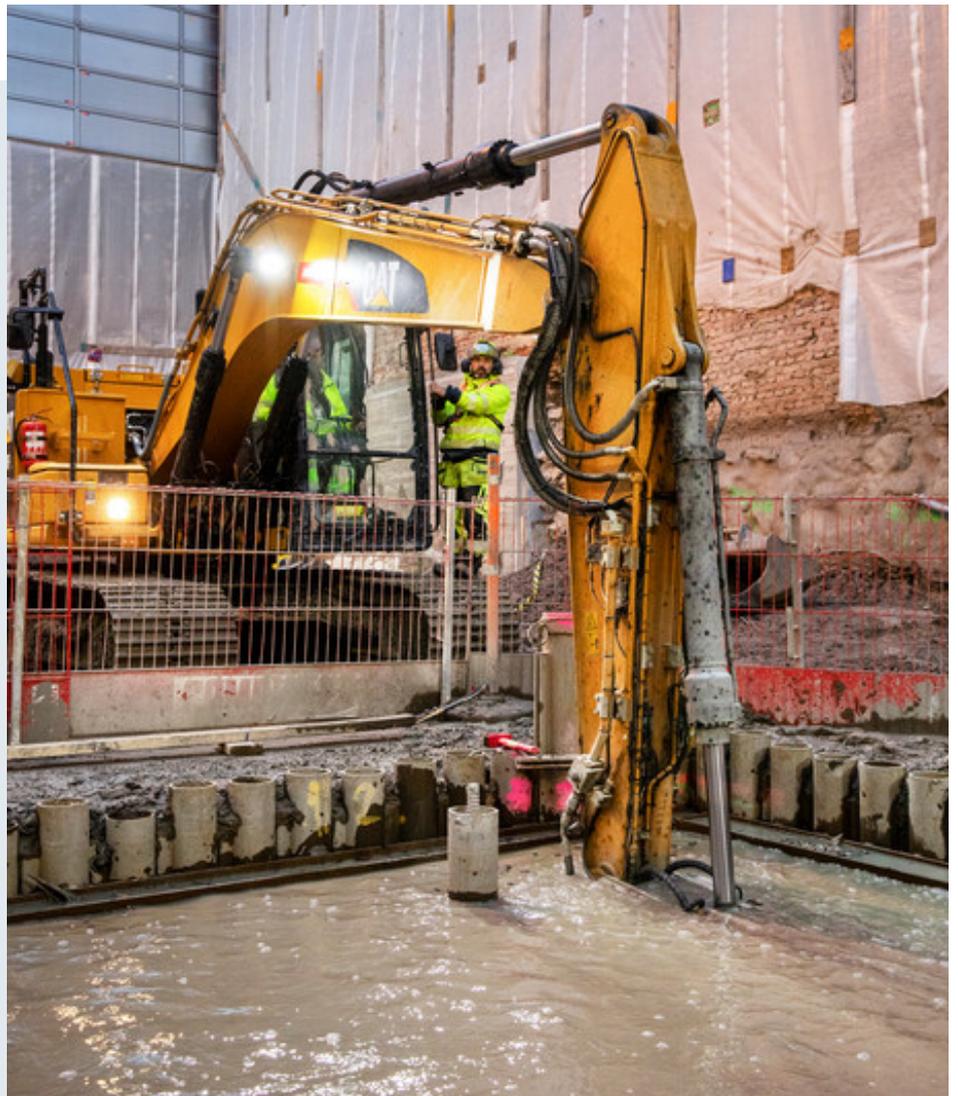
The property Vildmannen 7, located in Bibliotekstan, was destroyed by a fire in late 2017. During 2020 the demolition work was still on-going in parallel with the work to stabilise the existing and unique Roslagen sandstone street façade.

The complex work to lay new foundations, including the lowering of basement floors, began in the end of 2020. As we build long-term and our vision is that whatever we are building should last through several tenants, we are careful to make the right choices from the beginning. Our solutions must be flexible and adaptable – but also stand the test of time.

Materials are selected based on design, functionality, and quality to reduce the risk of material replacement. Climate-smart and energy efficient technology regarding, for example, ventilation, windows, lightning, and control are prioritised. We plan to install renewable geo-energy to reduce our energy consumption in the property.

We will establish green spaces for our tenants to help increase well-being and at the same time contribute to biodiversity, since we will add valuable vegetation which the property previously lacked. The courtyard will have a water magazine to delay storm water with integrated irrigation system for the courtyard vegetation.

Also, we will certify the building according to BREEAM-SE, with an ambition of achieving level Excellent but at least level Very Good. The new building, with the original façades preserved, is expected to be completed in 2023.



To achieve our climate goals we also focus on enabling our tenants to reduce their footprint. We offer green leasing which by year end covered 34% of rentable office space. We are also working on increasing recycling of waste both for ourselves and our tenants. All our properties have waste sorting rooms enabling the sorting of waste into several fractions, allowing fewer waste collection transports to and from our properties. Commuting by bicycle in the cities is becoming increasingly common and we see a growing demand from our tenants for bicycle-adapted solutions. Last year we increased the number of bicycle parks and made it possible to recharge electric bicycles. We also improved opportunities to park chargeable cars in our garages and parking structures. As an example we are now offering over 250 charging points at our public garages NK Parking and Continentalgaraget.

In addition to our intense work on climate mitigation we have a target on future-proofing our properties in regards to climate risks. We perform regular risk assessments of our properties in relation to climate change. During 2020 we carried out a torrential rain and flooding analysis of all of our properties. The aim was to reduce the consequences of flooding on the properties and to compile a basis for preparing action plans that includes proactive measures.

We monitor and report on our emissions of greenhouse gas in accordance with the Greenhouse Gas Protocol, and the emissions are yearly verified by an independent expert. We provide data in our annual report on Scope 1 and Scope 2 emissions, and we also provide both market based and location based emissions data for our electricity use, in line with GRI and EPRA recommendations. Overall, our market-based emissions have fallen by 90 per cent since 2010, which is largely a result of a switch to origin-labelled hydro power, continuously lower emission intensity in district cooling and heating and our improvements to the energy performance of our portfolio.

Hufvudstaden external auditor will conduct a limited assurance engagement of Hufvudstaden ABs Sustainability Report for the year 2021 in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The external auditor will also examine the statutory Sustainability Report and that the report has been conducted in accordance with FAR's auditing standard RevR 12.



Examples of Urban Development Vasagatan in Stockholm

In order to create secure and vibrant cities and contribute to urban development, Hufvudstaden cooperates with a number of other property owners as well as the City of Stockholm and the City of Gothenburg in a range of projects. One of the projects is the refurbishment of Vasagatan in Stockholm. The project commenced in 2018 and will continue for several years. The improvements to Vasagatan will include wider pavements, new street lighting, improved cycle paths and trees and flowers.

Purple Flag project in Gothenburg

Hufvudstaden is involved in the collaborative Purple Flag project for the Fredstan and Nordstan areas in Gothenburg. Purple Flag certifies cities and city centres based on factors such as safety, accessibility and range of activities during the evening and at night. The project aims to create secure, vibrant cities, regardless of the time of day or night. This collaborative venture, which is taking place in partnership with local authorities, the police, the business community and a number of other bodies also helps to reinforce the city brand and contributes to sustainable growth.

Sustainable finance

We aim for all our new financing to be green from 2025. Through this Green Bond Framework we are taking our first steps in order to achieve this target. Hufvudstaden will strive to monitor the development of the Green Bond market to continually advance the framework and the Green Terms. As such the Green Bond Framework may be updated from time to time to reflect current market practices. In establishing the terms in this framework Hufvudstaden has sought to comply with the Green Bond Principles (June, 2018) as well as the current best market practice.

Hufvudstaden has worked together with Handelsbanken to develop the Green Bond Framework. Cicero has provided a second opinion on the Framework, which is publicly available on Hufvudstaden's website.

More information about our work with sustainability is available on our website [hufvudstaden.se](https://www.hufvudstaden.se).

Stockholm, September 2021

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Methodology

Environmental Objectives (GBP)

The Green Bond Principles contains a set of high-level Environmental Objectives (“Environmental Objectives”), which outline the main environmental benefits of the anticipated use of proceeds.

1. CLIMATE CHANGE MITIGATION: Activities that contribute to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or by greenhouse gas removals.
2. CLIMATE CHANGE ADAPTATION: Activities that contribute to reducing or preventing the negative effects of the current and expected future climate on the location and context specific economic activities or natural and built environments.
3. NATURAL RESOURCE CONSERVATION: Activities that contribute to the sustainable utilization of natural resources, for instance soils, waters and plants, or the preservation of forests and watershed areas, to ensure that renewable resources are not used up faster than they are replaced, while lessening the dependence and ensuring the sustainable use of non-renewable resources.
4. BIODIVERSITY CONSERVATION: Activities that contribute to the preservation and regeneration of genetic, species and ecosystem diversity in the terrestrial, marine and aquatic environment.
5. POLLUTION PREVENTION AND CONTROL: Activities that contribute to a high level of environmental protection from pollutants other than greenhouse gasses affecting air, water or soil whilst minimizing negative impact on human health and the environment.

Not more than 15% of net proceeds will be allocated to Eligible Green Assets with a primary alignment towards environmental objective 3-5.

Exclusions

The net proceeds will not be allocated or linked to fossil-based energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Allocation of net proceeds

An amount equal to the net proceeds will be used to finance Green Assets in accordance with the Green Bond Framework. The majority of the net proceeds are expected to be allocated to new projects and assets (defined as projects and assets financed within 12 months from completion). The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting.

Alignment with the UN Sustainable Development Goals

Agenda 2030 and the Sustainable Development Goals (“SDG”) were adopted by the United Nations General Assembly on 25 September 2015. There are 17 global goals with 169 defined underlying targets, aimed at achieving long-term sustainable economic, social and environmental development in order to eradicate extreme poverty, to reduce inequality and injustice in the world, and to fight climate change. In order for the goals in agenda 2030 to become a reality, all parts of society need to contribute, Hufvudstaden has the possibility to conduct business in ways that support the global goals.

Hufvudstaden prioritize the goals where we see that we have the best conditions to make a difference for people and planet. For further information about how Hufvudstaden works with the SDG's please visit our [website](#). Hufvudstaden has identified the following goals as being the most important and where Hufvudstaden can contribute the most:

THE SUSTAINABLE DEVELOPMENT GOALS HUFVUDSTADEN WORKS TOWARDS



Ensure healthy lives and promote well-being for all at all ages.

A good and safe working environment is an important factor for human health and well-being. We place high demands on ourselves, our suppliers and partners with regard to the work environment, both physically and psychosocially.



Achieve gender equality and empower all women and girls.

Our employees are central to our future development, and gender equality is an important success factor. We work actively with gender equality and equal treatment. Our gender equality and diversity policy helps us to create a workplace where differences are encouraged.



Ensure access to affordable, reliable, sustainable and modern energy for all.

We are constantly working to streamline the use of energy and make good choices for the environment. We have set ambitious goals for reducing energy use per square meter in our properties. We are also seeking to contribute to realizing the Swedish objective of establishing a fossil fuel-free Sweden by 2045.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Hufvudstaden strives to be an attractive employer where employees are committed, happy and well. We work for a good and safe working environment for everyone, both for our own employees, for our tenants and those who work at our construction projects. We have zero tolerance against serious workplace accidents.



Make cities and human settlements inclusive, safe, resilient and sustainable

Hufvudstaden works to contribute to a more sustainable society. Together with the City of Stockholm and the City of Gothenburg, as well as our many partners, we develop cities where people feel good and safe.



Ensure sustainable consumption and production patterns

We build and manage our properties with a long-term perspective. The ambition is to create premises and solutions that last over time. As we build new and rebuild, we always focus on minimizing energy consumption, climate impact and waste while creating attractive premises.

NK Retail, our retail operations, work to promote new, more sustainable business models to minimize the negative impact from production and consumption.



Take urgent action to combat climate change and its impact.

Hufvudstaden invests in smart technology to reduce the business' impact on the environment and climate. Our goal is to achieve climate-neutral property management by 2025. We choose products with a lower climate impact during construction and maintenance work. At the same time, we future-proof our properties for climate change.

Green Terms

1. Use of Proceeds

An amount equivalent to the net proceeds from Green Bonds will exclusively be used by Hufvudstaden to fully or partly finance or refinance investments and expenditures that promote the transition to low-carbon, climate resilient and sustainable economies. Such assets (“Eligible Green Assets” or “Green Assets” or “Green Projects”) must comply with the categories and criteria’s below as well as the Exclusion criteria, Allocation criteria and Environmental Objectives described in the Methodology section.

Both financing and refinancing of tangible assets (without age restriction) and operational expenditure (up to 3 years backward looking before the starting year of any newly issued Green Bond) such as maintenance costs related to green assets that either increase the expected lifetime or the energy efficiency can qualify. The combined allocated amount to a specific Green Asset, by one or several sources of financing with specified use of proceeds, may not exceed its value. Hufvudstaden only operates in the Swedish market and the net proceeds will therefore be used exclusively to finance or refinance investments and expenditure in Sweden.

Green buildings

Main Environmental Objective (GBP):

Climate Change Mitigation

Secondary Environmental Objective (GBP):

Climate Change Adaptation



New properties

Development, acquisition, add-on construction on existing properties or otherwise recently completed properties or add-on construction that have, or will, receive (i) a design stage certification or (ii) a post-construction certification or (iii) an in-use certification in any of the following building certification schemes at the defined threshold or better: Miljöbyggnad “Silver”, BREEAM “Very Good” or LEED “Gold”, as well as at least 20 % lower energy use than required by the applicable national building code (BBR/NZEB).

Notice regarding energy target in new properties: We always strive to achieve at least 25 % lower energy use than required by the applicable national building code (BBR) in new properties and add-on construction, but due to our properties' high cultural values (several are historic listed buildings) the scope of activities that can be undertaken to limit energy use is often restricted. Therefore a lower criteria threshold (20 %) has been used, although the ambition for us will be to reach at least 25%.

Existing properties

Existing properties or major renovations that have, or will 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 or better: Miljöbyggnad “Silver”, BREEAM “Very Good” or LEED “Gold”, as well as achieve an energy target, as specified below:

- Properties that have, or are undergoing, major renovation require an overall reduction in energy use of at least 30 %.
- Existing properties require (i) an energy use per square meter lower than 90 kWh and (ii) 25 % lower energy use than required by the national building code (BBR) at the time of construction (if applicable).

Renewable energy

Main Environmental Objective (GBP):

Climate Change Mitigation

Renewable energy production, such as on-site solar power installations and on-site geo-energy installations (ground and surface systems), as well as related infrastructure investments for example grid connections, electric substations or networks.



Clean transportation

Main Environmental Objective (GBP):

Climate Change Mitigation

Supportive infrastructure such as charging stations for electric vehicles, bicycle garages, pedestrian walkways, bicycle lanes or other investments that support and emphasize the use of clean transportation solutions.



Energy efficiency

Main Environmental Objective (GBP):

Climate Change Mitigation

Upgrades to the existing portfolio of buildings that target a lower overall energy use and an improved environmental footprint. This could include, for instance, the installation of geothermal heating/cooling, energy-efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows or an upgraded ventilation system. Only directly associated expenditure (e.g. material, installation and labour) is eligible for financing. Hufvudstaden will ascertain the following:

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



Environmentally sustainable management of living resources and land use

Main Environmental Objective (GBP):

Climate Change Mitigation

Secondary Environmental Objective (GBP):

Climate Change Adaptation

Biodiversity Conservation

Solutions for green urban environments that promote, restore and preserve biological diversity ("urban oases"). These include, f.e. green roofs, green walls, urban biotopes, flowerbeds and trees, which all have various positive effect on e.g. strengthening ecological values, reducing noise levels, mitigating physical climate risks or binding air-borne particles.



2. Process for Project Evaluation and Selection

Projects and assets potentially eligible for Green Financing will be identified as part of the ongoing operations. Hufvudstaden Sustainability Council ("HSC") is a group responsible for monitoring sustainability at Hufvudstaden. The HSC was established 2018, and coordinates and guides our sustainability work towards our sustainability targets. Identified projects and assets will be evaluated by the HSC and currently has the following members:

- CFO
- Head of Sustainability
- Head of Property Development
- Head of Human Resources
- Head of Gothenburg Management Area

The HSC will review information about the assets and evaluate the overall environmental impact, which includes life cycle considerations, potential rebound effects, resilience considerations and adherence to at least one of the Environmental Objectives. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Hufvudstaden. The Hufvudstaden Sustainability Council can request additional information and consult with internal parties, but the mandate to make decisions is held by the group. A decision to allocate net proceeds will require a consensus decision by the HSC. Decisions made by the HSC will be documented. Furthermore, the HSC is also responsible for signing off on the forthcoming reporting under the framework as outlined under the section Reporting and Transparency.

An updated list of all Green Assets will be kept by Hufvudstaden's sustainability department. If a project or asset ceases to meet the Green Terms, it will be removed from the list (and the funds will be recycled). The list will also be used as a tool to determine if there is a current or expected capacity for additional Green Bonds.

External Review

Hufvudstaden acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of net proceeds allocation. For further information, see the "Annual Review" section under Reporting and Transparency.



3. Management of Proceeds

An amount equal to the net proceeds of any Green Bonds will be credited to a dedicated account ("**The Green Account**") or otherwise tracked by Hufvudstaden ("**The Green Portfolio**"). Deductions will be made from the Green Portfolio by an equivalent amount corresponding to the financing, refinancing, investment or expenditure of Eligible Green Assets or at repayment of any Green Bonds.

If an Eligible Green Asset no longer qualifies or if the underlying project or asset is divested or lost, an amount equal to the funds allocated towards it will be re-credited to the Green Portfolio. Funds may also be reallocated to other Green Assets during the term of any Green Bond, unless otherwise restricted in the loan documentation.

The treasury department will keep a record of the purpose of any change in the Green Portfolio and ensure that the combined funds directed towards a specific Green Asset, by one or several sources of green financing (such as Green Bonds and Green Loans) or other financing with specific use of proceeds, does not exceed its value.

While the Green Portfolio has a positive balance, the net proceeds may be invested or utilised by the treasury in accordance with Hufvudstaden's sustainability policy and investment criteria. Such unallocated funds may for instance be invested in short-term interest-bearing securities, such as Swedish treasury bills (and related entities) or Swedish municipal notes (including related entities).

Ex-post verification of funds

Hufvudstaden acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of funds, hence verification will be sought from Hufvudstaden's external auditor. Further information can be found in the Annual Review section under Reporting and Transparency.

4. Reporting and Transparency

To be fully transparent towards the Green Bond investors and other market stakeholders, Hufvudstaden will publish an annual report on its website (www.hufvudstaden.se) (that will detail the allocation of net proceeds and adherence to the Green Terms (the "Reporting"). The first such Reporting under this Framework is expected to take place in April 2022, in proximity to the release of the company's Annual Report, and will be available in Swedish. Hufvudstaden will yearly publish the allocation and impact reporting until such time that no Green Bonds are outstanding.

The Reporting will be prepared by the treasury and sustainability department. It will contain information on the Green Assets that have been financed with Green Bonds, a summary of Hufvudstaden's activities in the past year as pertains to Green Bonds as well as information, including examples, of the financed Green Asset's adherence to the relevant criteria.

Allocation Disclosure

Allocation of proceeds from Green Bonds will be provided at project level, unless confidentiality agreements, competitive considerations, or a large number of underlying qualifying projects limit the amount of detail that can be made available, in which case the information will be provided at an aggregated level, with an explanation of why project-level information is not given.

- For Green Buildings that have met the relevant Green Terms and to which net proceeds have been allocated the Reporting will disclose the aggregate market value (or investment cost, as applicable).
- For the categories Energy Efficiency Investments, Renewable Energy Investments, Environmentally Sustainable Management of Living Natural Resources Investments and Clean Transportation Investments the total allocation of green net proceeds to each category will be disclosed.
- The sum of outstanding Green Bonds and the sum of the Green Portfolio balance, including any short term investments or net proceeds managed within the liquidity portfolio.
- The data shall be from the last of December in the previous year.

Impact Reporting & Metrics

The Reporting will contain a disclosure of asset level performance indicators. The Reporting will strive to disclose the impact based on the Green Financings share of the total investment. For financed Green Assets that are not yet operational, Hufvudstaden will strive to provide estimates of future performance levels. Hufvudstaden will emphasise energy savings and greenhouse gas reductions as the most relevant performance metrics for most projects. The metrics below are examples of indicators that are likely to be used by Hufvudstaden in the forthcoming Reporting.

Impact metrics for green buildings

- i. Energy performance/use
 - a. For all buildings: the annual energy use per square meter Atemp (kWh/sqm/year)
 - b. For all buildings: the annual energy savings (MWh per year).
 - c. For all buildings: the percentage of renewable energy used compared to the total energy used
 - d. For all new buildings: the relative energy performance (%-improvement) compared with applicable national building code.
 - e. For major renovations: the percentage reduction of energy use.
- ii. Building certification
 - a. Type of certification
 - b. Achieved level of certification
- iii. Carbon emission savings/reductions
 - a. Carbon intensity: grams per square meter Atemp (CO₂e)
 - b. Carbon savings: annual carbon emission reductions/savings (CO₂e tones)

Impact metrics for renewable energy

- i. For an installation of a renewable energy in a real estate asset the percent of the assets total energy use supplied by the installation, the kWh/year and the estimated yearly greenhouse gas savings.
- ii. For an investment in a stand-alone renewable energy project the kWh/year and the estimated yearly CO₂e savings.

Impact metrics for clean transportation

- i. The number of charging stations for electric vehicles installed.
- ii. The proportion of parking spaces that has access to charging stations.
- iii. The number of bicycles that a bicycle garage can accommodate.

Impact metrics for energy efficiency

- i. Each yearly report will include an example of an energy efficiency investment that have been financed with green net proceeds. Given the number of project types that qualify under the category the KPI's will not be disclosed beforehand in the framework. Hufvudstaden will emphasize energy and carbon savings, where applicable, as relevant performance metrics.

Impact metrics for environmentally sustainable management of living natural resources and land use

- i. Each yearly report will include an example of an investment that has been financed with green net proceeds (if such a project has been financed). Hufvudstaden will describe the investment and the area of the installation (if applicable), as relevant information metrics.

Carbon Footprint Calculation Methodology

To calculate GHG emission reductions, Hufvudstaden uses the Green House Gas Protocol and reports on Scope 1 and Scope 2 emissions. For 2020 the numbers were 92 grams CO₂e per kWh for electricity, 47,4 grams CO₂e per kWh for heat and 0 g per kWh for cooling, with a combined CO₂e for delivered energy of 72,7 grams CO₂e per kWh. All values are location-based emissions equivalents and includes Scope 2 emissions per energy source, according to the recommendations of EPRA and the GRI Standards. This is the same methodology used in the company's sustainability reporting. It should be noted that this grid emission factors Hufvudstaden uses is considerably lower than what has been outlined in the "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting" (2020), which currently states 319 grams CO₂e per kWh.

Annual Review

The external auditor of Hufvudstaden, or a similar party appointed by Hufvudstaden with the relevant expertise and experience, will investigate and report whether an amount equal to the net proceeds have been allocated to the Eligible Green Assets that Hufvudstaden has communicated in the Reporting. Their conclusions will be provided in a signed statement, which will be published on Hufvudstaden's website: [hufvudstaden.se](https://www.hufvudstaden.se).

Dedicated Website

Hufvudstaden has a dedicated webpage for green financing (such as Green Bonds) at its website [hufvudstaden.se](https://www.hufvudstaden.se) where investors can find information regarding Hufvudstaden's Green and Transitional Financing, including:

- The Green Bond Framework
- The Second Opinion
- The Reporting
- The Annual Review
- Investor Presentations

Definitions

BREEAM Very Good, Excellent and Outstanding means the rating Very Good, Excellent and Outstanding within BREEAM, a grading scheme for the real estate sector developed by BRE Global, as well as local adaptations such as BREEAM-SE developed by the SGBC (Swedish Green Building Council) respectively, pursuant to their definition at the time of receipt of the relevant certification.

BREEAM IN-USE Very Good, Excellent and Outstanding means the rating Very Good, Excellent or Outstanding within BREEAM, a grading scheme for the real estate sector developed by BRE Global, pursuant to their definition at the time of receipt of the relevant certification.

BBR means the Swedish national building regulation set up by the National Board of Housing, Building and Planning, determining the regulatory requirements and offering general advice regarding all stages of planning, construction and operations of real estate assets.

EPRA SBPR means the Sustainability Best Practices Recommendations on Sustainability Reporting, third edition published by EPRA, the European Public Real Estate Association.

GRESB means the Global Real Estate Sustainability Benchmark, an annual global review of the sustainability performance of property companies and funds based on what investors and the industry consider to be key sustainability issues.

LEED Gold and Platinum means the rating Gold or Platinum within LEED, a grading scheme for the real estate sector developed by the U.S. Green Building Council pursuant to its definition at the time of receipt of the relevant certification.

Miljöbyggnad Silver and Gold means the rating Silver and Gold within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

NZEB means the EU Nearly Zero Energy Buildings requirement, to be implemented in Sweden in the coming years.

Policy documents that govern Hufvudstaden's Environmental and Sustainability work

Public Policies and Guidelines are available at hufvudstaden.se

#	Name	Publicly available
1	Annual report 2020	Swedish, English
2	Environment Policy	Swedish
3	Work Environment Policy	Non-public
4	Finance Policy	Non-public
5	Health Policy	Non-public
6	IT and Telephony Policy	Non-public
7	Equality and Diversity Policy	Non-public
8	Travel Policy	Non-public
9	Code of Conduct	Swedish, English
10	Whistleblower	Swedish, English
11	Environmental Program	Swedish
12	Policy against Bribery and Corruption	Non-public



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www.hufvudstaden.se