

HEMSÖ

SUSTAINABILITY BONDS

FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS

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EXECUTIVE SUMMARY

Hemsö, Sweden's leading private owner of properties for public use, has developed a Sustainability Bond framework to allocate funds towards (i) the development and/or acquisition of new and/or existing real estate assets with specified sustainability certifications; (ii) energy efficiency improvements in existing real estate assets; or (iii) real estate investments with a positive social impact. Sustainalytics has been retained by Hemsö to review and provide an opinion on its Sustainability Bond framework. Sustainalytics has found that Hemsö's management of environmental and social factors is exceptionally strong for the real estate sector, and it is well-positioned to issue a Sustainability Bond targeting projects with environmental and social impact. Furthermore, after reviewing the project selection process, management of proceeds and reporting, Sustainalytics found that Hemsö's Sustainability Bond framework fully aligns with the Green Bond Principles, and demonstrates several aspects of market best practice with regards to transparency and disclosure, such as impact reporting and management of funds. Based on the above considerations, Sustainalytics considers Hemsö's Sustainability Bond to be highly credible and robust.

1. PREFACE

Hemsö Fastighets AB ("Hemsö") intends to issue a series of interest bearing notes (hereafter, the Sustainability Bonds) with added environmental and social criteria. Hemsö has engaged Sustainalytics to provide a second party opinion of its Sustainability Bond Framework. Sustainalytics is the largest independent provider of sustainability research, analysis and services to investors and other financial institutions globally. Sustainalytics' opinion intends to provide an assessment of the framework's alignment with the Green Bond Principles¹ as well as assess Hemsö's overall sustainability performance and its alignment with the framework. To come to this opinion, Sustainalytics reviewed public information and Hemsö's internal documents, and held conversations with members of Hemsö's Sustainability and Finance Departments to understand the sustainability impact of their business processes, and to understand the use and management of proceeds for the company's issuance of Sustainability Bonds.

This document contains two sections: Framework Overview – a summary of Hemsö's Sustainability Bond framework; and Sustainalytics' Opinion – an opinion of this framework.

2. INTRODUCTION

Hemsö is the largest owner of properties for public use in Sweden. The property company, founded in 2001, owns, manages and develops buildings for community services (nursing homes,

¹ The Green Bond Principles are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market. They provide issuers guidance on the key components involved in launching a credible Green Bond and aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green bond investments

education, care facilities) in Sweden, Germany and Finland and has its headquarters in Stockholm, Sweden. As of Q1 2016, Hemsö owns 328 properties with a combined market value of SEK 27.9 billion.

2.1 HEMSÖ'S SUSTAINABILITY PROFILE

Hemsö has been actively integrating sustainability issues into its business model of owning, managing and developing properties for the elderly, education, care and legal sectors. Hemsö has a strong environmental policy (embedded within its sustainability policy) and management system. In its sustainability policy, Hemsö sets environmental, social and financial sustainability targets. In Sweden, all newly constructed buildings are to be environmentally certified in accordance with the Miljöbyggnad Silver level. Moreover, by 2020 Hemsö aims to have at least 100 properties certified in accordance with the Green Building standard² and to reduce its own energy consumption by 30% against its 2012 baseline.

The company's sustainability management system demonstrates the integration of environmental and social considerations into the acquisition, construction, operations and maintenance of properties. Hemsö includes a sustainability risk assessment that addresses energy efficiency, building certifications and energy ratings as a standard part of its due diligence process for new acquisitions and standing investments. In the construction planning phase, Hemsö requires the use of environmentally safe materials; as well as the adaption of the location of the buildings to current and future climate aspects; a sustainable site selection assessment and a waste management plan. Furthermore, in addition to 'green leases' held by some of its clients, Hemsö's standard lease contract also includes sustainability-specific requirements. For instance, the lease agreement includes a clause calling for the tenant and property owner (Hemsö) to engage in a regular review of energy use levels, and then optimize the use of electricity, heating, cooling and ventilation in order to decrease the use of energy and, consequently, the tenant's cost of use. Hemsö also includes sustainability requirements in its procurement process applicable to external contractors, service providers and suppliers.

Hemsö demonstrates board level responsibility and targets for sustainability issues. Hemsö's sustainability policy is supervised by the company's board of directors, whose responsibility includes an annual review of the policy. The company also has a Sustainability Manager who is responsible for embedding sustainability aspects within the company's processes and for providing support to the rest of the organization on sustainability issues.

² The Green Building standard was developed by the European Union in 2004 to trigger investments in energy efficiency and renewable energy technologies in non-residential buildings. Although the European Union ended the initiative in 2014, the Swedish Green Building Council continues to administer and manage the certification in Sweden.

3. FRAMEWORK OVERVIEW

Hemsö's Sustainability Bond framework follows the four key pillars of the Green Bond Principles ("GBP"):

- Use of Proceeds
- Selection Process
- Management of Proceeds
- Reporting

3.1 Use of Proceeds

The proceeds from the Sustainability Bond will be allocated towards

- The development and/or acquisition of new real estate assets and investments in existing real estate assets;
- Expenditures made to improve energy efficiency in existing real estate assets; and
- Social investments in:
 - o Schools;
 - o Nursing homes; and/or
 - o Adaptation of assets to house refugees.

Social investment may account for a maximum of 10% of the allocation of the proceeds.

Further detail regarding each of these categories, including specific eligibility criteria, is provided below.

1. Development and/or acquisition of new real estate assets and existing real estate assets

The context: Hemsö develops and acquires new real estate assets. It aims to minimize the environmental risks from its operations by focusing on energy use, environmental certifications, green leases, material selection, waste management and harmful substances. In addition to developing new real estate assets, Hemsö has a large base of existing properties for public use and aims at improving the environmental performance of these assets. To do so, Hemsö leverages real estate certification schemes such as Miljöbyggnad, BREEAM, and LEED. Miljöbyggnad is a Swedish certification system used for both residential and commercial buildings in Sweden. It has 15 indicators spanning four areas of assessment (energy, indoor environment, chemical substances, specific environmental demands). The Miljöbyggnad Silver standard sets minimum requirements across the four areas of assessment that go above legal compliance in Sweden. In comparison, BREEAM has 10 areas of assessment and buildings are examined on 50 indicators. LEED is a US certification system encompassing nine rating systems

for the design, construction and operations of buildings, homes and neighborhoods with six areas of assessment. For a detailed comparison of the standards, please see Appendix I.

For existing real estate assets, Hemsö uses the Green Building Certification, which was previously developed by the EU and is now administered by the Swedish Green Building Council. Participation in Green Building requires the implementation of energy related management policies and practices (an Action Plan), developed according to specific criteria with regards to air conditioning, heating, ventilation, lighting, office equipment, and hot water, to improve the energy efficiency of a building. The Green Building Certification sets a threshold of reducing energy use by a minimum of 25% in renovation projects. For new construction projects, the Green Building Certification requires that energy use is 25% less than the Swedish energy standard, BBR. After receiving Green Building Certification, participants must provide an annual report of progress against their submitted Action Plan.

Use of proceeds: The development and/or acquisition of new real estate assets and existing real estate assets can include on-going reconstruction, finalised reconstruction and recently acquired or otherwise complete and existing real estate assets.

Eligibility Criteria: The development and/or acquisition of new real estate assets and existing real estate assets will require either:

- (i) a design stage certification³
- (ii) an in-use certification, or
- (iii) will obtain an in-use certification as soon as reasonably possible after completion⁴

of at least either (A) Miljöbyggnad Silver (B) LEED Gold (C) BREEAM Very Good or (D) in the case of ongoing or finalized reconstruction, Green Building Certification.

2. Energy Efficiency improvements in existing real estate assets

Context: Hemsö invests in its real estate assets to decrease energy usage and to reduce the environmental footprint of its projects.

³ In terms of existing real estate assets, the design stage certification will only be applicable for reconstruction projects.

⁴ Typically, both new development and reconstruction projects are certified on the design stage, which is later confirmed via the final in-use certification once the asset is finished.

Use of Proceeds: Proceeds will be allocated only to the actual expenditures made (e.g. material, installation and/or labour) for the improvement of energy efficiency, such as the installation of geothermal energy or energy efficient lighting systems.

Eligibility Criteria: Energy efficiency improvements must demonstrate a substantial impact on the particular area of the building where the investment is made, as well as a positive impact on the total environmental footprint of relevant asset. At minimum, the project should result in a 15% improvement in energy efficiency for that area of the building. The evaluation and selection of projects is determined by Hemsö's Guidelines for Energy and accordingly the project must achieve a green light within the defined criteria of energy consumption, payoff, present value and yield to be classified as an energy efficiency project.

3. Social Investments

Context:

Hemsö plans to invest the bond proceeds in projects that provide positive social value and demonstrably improve the well-being and quality of life of its tenants.

Use of proceeds:

- Non-ordinary⁵ investments in the inside and outside environment of school premises, targeting improvements with the goal of reducing stress of teachers and students, as well as enhancing the learning capacity of students.
- Non-ordinary investments in the inside and outside environment of nursing homes, targeting improvements with the goal of increased well-being and life quality.
- The adaptation of assets to house refugees must be for assisting authorities, such as the Swedish migration office and local municipalities, to assist with the refugee housing shortage.

Any investment undertaken in the social investment category will be financed up to an amount corresponding to the actual associated expenditure (e.g. material, installation and/or labour).

Eligibility Criteria:

For schools and nursing homes, this targeted social benefit such improvement in well-being or quality of life of its tenants must be supported by a scientific study.

⁵ Non-ordinary investments are defined as investments Hemsö undertakes that go beyond the requirements of relevant laws and regulations as well as the market as a whole (in the relevant jurisdiction). The goal is to provide additionality beyond both regulations and current market practice.

With regards to housing for refugees, the lease contract must state that the adapted asset shall be used to house refugees.

3.2 Project Evaluation and Selection Process

A committee comprising Hemsö's Finance and the Sustainability Department will:

- Select eligible projects and assets by ensuring that eligible projects and assets meet the Eligibility Criteria. The selection will be documented and a record will be kept.
- Evaluate and consider new energy efficiency investments and social investments⁶ on a case by case basis for eligibility and financing, based on compliance with the Eligibility Criteria.

A list of eligible projects and assets that meet the Eligibility Criteria will be tracked by Hemsö. The list will be used as a tool to determine the sustainability borrowing capacity, which is defined as the value of eligible projects and assets less any existing debt encumbrance.

3.3 Management of Proceeds

The proceeds of the Sustainability Bond will be held under a sub-account named "Green Account". The Green Account allows ring-fencing of Sustainability Bond funds from other funds and ensures strong monitoring and tracking of the use of proceeds. Hemsö will keep a record of the purpose of the transfers on the Green Account. A transfer from the Green Account into Hemsö's transaction accounts or a direct payment from the Green Account will be allowed in an amount corresponding to expenditure, monetary transfers and refinancing of eligible projects and assets, or to repay a Sustainability Bond.

If the Green Account has a positive balance, any unallocated funds may be invested in short-term interest bearing securities pending investments in eligible projects and assets. These investments are Swedish treasury bills and highly rated short-term bank notes (A+ rating from Standard&Poor's or any equivalent rating from Moody's or Fitch).

3.4 Reporting

Hemsö commits to publishing an annual disclosure on the use of proceeds as part of its annual financial and sustainability reporting. The first reporting is expected to take place in April 2017 and will be available in Swedish and English. Hemsö will also provide a dedicated webpage where investors can find information regarding Hemsö's Sustainability Bonds.

⁶ When deciding the eligibility status of a project in the adaptation of assets to house refugee's category, the committee will consider the available area per resident, the distance to public transport and the social value created.

Allocation Reporting

The reporting will include a list of all eligible projects and assets that have been financed with Sustainability Bonds, a description of Hemsö's activities in the past year that pertains to Sustainability Bonds as well as information regarding each project's adherence to the Eligibility criteria. The total allocation of net proceeds to each of the three defined categories under Eligible projects and assets will be disclosed together with descriptive examples of selected projects that have been financed in the most recent year from each category. In addition, the total proportion of net proceeds allocated to new projects and assets as well as refinancing will be disclosed.

Impact Reporting

Hemsö's Sustainability Bond reporting will contain a disclosure of a set of asset-level indicators and measurements for real estate assets. Data will be provided in a table format, containing all eligible projects and assets that have had net proceeds allocated to them as well as selected indicators and measurements. The following indicators and measurements, where available, will be reported:

- Environmental certification
- Energy consumption disclosed by absolute consumption (kWh) per year and intensity (kWh per square meter per year)
- Calculated carbon footprint disclosed by absolute emissions (tonnes) per year and intensity (tonnes per square meter per year)
- For energy efficiency projects, the reporting will disclose project name, allocated amount and estimated energy reduction
- For social investment projects, the reporting will disclose project name, the allocated amount, the defined scope/goal of the project and the adherence to the defined and relevant Eligibility Criteria
 - (i) For investments on school premises and nursing homes the relevant scientific study/studies will be disclosed
 - (ii) For adaptation of assets to house refugees the housing capacity in the lease contract will be disclosed, as well as the available square meter area per resident at full capacity and the distance to public transport

An auditor appointed by Hemsö, will investigate and report whether the Sustainability Bond proceeds have been allocated to the projects and assets that Hemsö has communicated in the Reporting. In addition, the auditor will also investigate the compliance of investments with the Eligibility Criteria. Their conclusion will be provided in a signed statement, which will be published on Hemsö's website in proximity to the publication of the Sustainability Bond report.

4 SUSTAINALYTICS' OPINION

Hemsö's Sustainability Profile

Sustainalytics has reviewed Hemsö's sustainability policy, sustainability management system, and supporting documentation to assess its environmental, social and governance performance. These documents are not currently publicly available. A list of the documents reviewed is available in Appendix 2.

Across the real estate sector, Sustainalytics considers three issues to be especially important for managing environmental and social impact: product sustainability, energy and GHG emissions, and community relations. With performance in all of these areas that align with industry best practice, and no controversies in environmental, social, or governance matters, Sustainalytics has an overall positive view of Hemsö. In terms of Product Sustainability, all new buildings and properties are to be environmentally certified to at least Miljöbyggnad Silver level, which directly aligns with the Use of Proceeds. Moreover, Hemsö has sustainability requirements for its supply chain and addresses sustainability requirements in its standard lease contract. On Energy and GHG Emissions, Hemsö has set a strong target for reducing energy use against its 2012 portfolio, thereby committing to continuous improvements in the operational performance of assets. Finally, Hemsö has a strong community involvement programme. Given that the company operates in the elderly, education, care and legal building sectors, Hemsö aims to foster sustainable community development and specifically aims to target children and the elderly living in Hemsö properties. To do so, the company has a formal policy to consult with local communities, oversight of community relations, and commits to ongoing consultation with local stakeholders.

Taking into consideration Hemsö's focus on providing sustainable development and management of community services, Sustainalytics believes that Hemsö's bond framework is aligned with the overall sustainability objectives of the company.

Impact of the Use of Proceeds

Green Real Estate

Hemsö's project eligibility criteria are based on third-party certification standards of LEED, BREEAM, Miljöbyggnad and Green Building. In using Miljöbyggnad Silver, BREEAM Very Good, LEED Gold and Green Building as minimum standards, the eligibility criteria rely on robust standards for the sustainability performance of the eligible assets.

The majority of LEED, BREEAM and Miljöbyggnad indicators are tradable and without minimum requirements, meaning that buildings can receive the same certification based on the fulfillment of different indicators. However, this weakness is overcome to a certain degree in Hemsö's framework as it will report transparently on each project's energy usage, GHG emissions, and use

of renewable energy. Furthermore, Hemsö is already subject to Sweden's stringent energy efficiency standards (BBR) under its national building regulations.

In addition, the framework ensures that eligible buildings will sustain strong sustainability performance over the term of the bond, as eligible buildings will have design stage or in-use certification at time of allocation (or obtain in-use certification soon after). To address concerns about continuous improvement within the portfolio of projects to which company has allocated proceeds, certification is reviewed regularly, although the review cycle does differ across the different certifications used, ranging from once every 10 years for Miljöbyggnad, to annually for Green Building certification.

Although Hemsö does not commit to a ratio or target of new vs. existing real estate projects selected under the use of proceeds, the company has set a public target for certification across all of its new builds. Thus, Hemsö has sufficient assets and pipeline to allocate the use of proceeds from the bond.

Energy Efficiency

The use of proceeds will also be directed towards investments in energy efficiency, an important catalyst of a low-carbon economy. Across the EU, it is predicted that improved energy efficiency could result in lowered CO² emissions of 5%. Sweden has set a target of improving energy efficiency by 20% by 2020, which the IEA has predicted will require a substantial increase in the energy efficiencies of buildings. Alongside the reconstruction and renovation of existing buildings, some of this improvement will also be achieved through direct expenditures into existing buildings for the installation of more energy efficient systems.

Hemsö's eligibility criteria for energy efficiency projects includes a minimum threshold of a 15% improvement in performance. Hemsö has noted that some expenditures in energy efficiency may have a small impact in terms of percentage improvement achieved, but could have a valuable impact nonetheless in terms of the overall lifecycle of the building. Such is the case, for instance, with the installation of geothermal energy systems replacing already-efficient systems. In addition, Sustainalytics has found that Hemsö has a strong process in place for evaluating investments in energy efficiency, which ensures that any investment made has a strong long-term effect and prevents shallow retrofits or lock-in technologies. Furthermore, the reporting framework ensures transparency on the estimated energy reduction.

Social Adaptations

Small adaptations into buildings can have tremendous impact on the health and overall well-being of occupants. Hemsö's use of sustainability certifications already incorporates some known best practices in the adaption of buildings for the benefits of occupants, such as daylight provision. However, under the use of proceeds, Hemsö makes a strong commitment to put into

practice new innovations in building adaptations for social benefit. In discussion with Hemsö's finance and sustainability teams, Sustainalytics has been assured that Hemsö intends to ensure that these investments go beyond the usual investments expected in property development, or the expectations that are outlined in existing certification schemes. Hemsö has also committed to providing disclosure on the scientific studies underlying these investments as part of the public reporting on the Sustainability Bond, which will facilitate confidence in the expected impacts of the investment.

Adherence to Green Bond Principles

Principle	In line with the Green Bond Principles 2015?	Highlights or best practices
Use of Proceeds	Yes	The proceeds of Hemsö's Sustainability Bond will be allocated towards (i) the development and/or acquisition of new and/or existing real estate assets with specified green building certifications; or (ii) energy efficiency improvements in existing real estate assets; or (iii) real estate investments with a positive social impact. After reviewing the use of proceeds criteria, Sustainalytics believes that these investments will have a positive environmental and/or social impact. Overall, Sustainalytics is of the opinion that Hemsö's investment eligibility criteria are credible and robust.
Project selection process	Yes	Hemsö's Finance and Sustainability Departments have formed a committee for selecting eligible projects and assets. This committee demonstrates a strong transparency in the project selection process by documenting and recording the selection process. Evaluating energy efficiency and social investments on a case-by-case basis allows the committee to take an in-depth and critical look at each investment. The selection of social investments leverages the use of academic studies in order to ensure a demonstrable impact. This practice will enable Hemsö to allocate Sustainability Bond proceeds to investments with a positive environmental and/or social impact.
Management of Proceeds	Yes	By holding the proceeds of its Sustainability Bond in a separate account that disallows fungibility with other funds, Hemsö provides a robust and transparent management of proceeds that adheres with best practice. Hemsö also has a process for the

		temporary allocation of the use of proceeds specifying the intended types of temporary instruments, promoting the transparency of the management of proceeds. The management of proceeds therefore aligns with the best practice recommendations made under the Green Bond Principles.
Reporting	Yes	Hemsö's reporting on its Sustainability Bond offers both allocation and impact reporting. The allocation reporting includes a list of all eligible projects and assets that have been financed with Sustainability Bonds as well as information regarding their adherence to the Eligibility criteria. The total proportion of net proceeds allocated to new projects and assets as well as refinancing will also be disclosed. The impact reporting moreover provides certain asset-level indicators on the potential environmental and/or social impact. This reporting is in line with best practice. Furthermore, the engagement of an external auditor to review allocation and adherence with the Sustainability Bond's framework will provide additional assurance that the bond is fully compliant with use-of-proceeds criteria.

Conclusion

Hemsö has developed a Sustainability Bond framework for bond issuances aiming to finance real estate projects that demonstrate specified green building certifications, energy efficiency improvements or a social impact. Hemsö's Sustainability Bond framework is characterized by strong eligibility criteria, demonstration of a transparent project selection process, strong management of proceeds and best practice reporting with specified asset-level indicators measuring the impact of allocated proceeds. Sustainalytics, therefore, considers Hemsö's Sustainability Bond to be credible and robust.

APPENDICES

Appendix I: Real Estate Certification Systems

	Miljöbyggnad	BREEAM	LEED
Background	Swedish Certification System Used for residential and commercial buildings Used for new and existing buildings, first buildings certified in 2010	British Certification System Adapted to Swedish regulations (BREEAM SE) used in Sweden since 2013 Used for new, refurbished and extension of existing buildings	US Certification System for residential and commercial buildings used worldwide. LEED covers the design, construction, maintenance and operation of buildings.
Levels/Grades	Gold Silver Bronze	Outstanding Excellent Very Good Good Passed	Certified Silver Gold Platinum
Areas of Assessment	Energy Indoor Environment Chemical Substances Specific Environmental Demands	Management Health and Wellbeing Energy Transport Water Materials Waste Land Use and Ecology Pollution Innovation	Sustainable Sites Water efficiency Energy and atmosphere Materials and resources Indoor environmental quality Innovation in Design
Procedure	Buildings are examined on 15 indicators Application sent to Swedish Green Building Council	Buildings are examined on 50 indicators Application sent to Swedish Green Building Council (licensed by BRE Global)	There are 100 possible base points. To participate in LEED, a building must comply with environmental laws and regulations. LEED certification is granted by the Green Building Certification Institute, which handles the third-party verification of a project's compliance with the LEED requirements.
Indicators (see detailed list)	<u>Energy:</u> Bought Energy Heating Power requirement Solar Heat Load Fraction of Energy Carriers	<u>Management:</u> Commissioning Construction Site Impacts Building User Guide Moisture Control <u>Health and Wellbeing:</u>	<u>Sustainable Sites</u> Construction Activity Pollution Prevention (required) Site Selection Development Density Brownfield Redevelopment Public Transportation Access

	<u>Indoor Environment:</u> Noise Protection Radon Content Ventilation Rates N2O to Indoor Air (from traffic) Moisture Prevention Thermal Climate Winter Thermal Climate Summer Daylight Legionella <u>Materials and Chemicals:</u> Documentation of materials Absence of hazardous substances	Daylight Occupants thermal comfort Acoustics Indoor Air and Water Quality Lighting <u>Energy:</u> CO2 emissions Low or zero carbon technologies Energy sub metering Energy efficient buildings system <u>Transport:</u> Public transport network connectivity Pedestrian and cyclist facilities Access to amenities Travel plans and information <u>Water:</u> Water consumption Leak detection Water re-usage and recycling <u>Waste:</u> Construction waste Recycled aggregates Recycling facilities <u>Pollution:</u> Refrigerant use and leakage Flood risk NOX emissions Watercourse pollution External light and noise pollution <u>Land Use and Ecology:</u> Site selection Protection of ecological features Mitigation/enhancement of ecological value <u>Materials:</u> Embodied life cycle impact of materials Material re-use Responsible sourcing Robustness	Bicycle Storage Low-emitting and fuel-efficient vehicles Parking Capacity Protect or Restore Habitat Maximize Open Space Storm-water Design (Quantity and Quality Control) Heat Island Effect – Non-Roof Heat Island Effect – Roof Light Pollution Reduction <u>Water Efficiency</u> Water Use Reduction (required) Water Efficiency Landscaping Innovative Wastewater technologies Water Use Reduction <u>Energy and Atmosphere</u> Fundamental Commissioning of Building Energy Systems (required) Minimum Energy Performance (required) Fundamental Refrigerant Management (required) Optimize Energy Performance On-Site Renewable Energy Enhanced Commissioning Enhanced Refrigerant Management Measurement and Verification Green Power <u>Materials and Resources</u> Storage and Collection of Recyclables (required) Building Reuse Construction Waste Management Materials Reuse Recycled Content Regional Materials Rapidly Renewable Materials Certified Wood <u>Indoor Environmental Quality</u> Minimum Indoor Air Quality Performance (required)
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		Avoidance of hazardous substances <u>Innovation:</u> Exemplary performance levels Use of BREEAM Accredited Professionals	Environmental Tobacco Smoke Control (required) Outdoor Air Delivery Monitoring Increased Ventilation Construction Indoor Air Quality Management Plan Low Emitting Materials Indoor Chemical and Pollutant Source Control Controllability Lighting System Thermal Comfort Daylight Views <u>Innovation in Design</u> Innovation in Design LEED Accredited Professional
Use in Sweden		Proportion of certified assessments under BREEAM and the Code for Sustainable Homes in Sweden 2012: 0,09% Proportion of certified assets under BREEAM New construction non-domestic by country 2012: 0,2%	There are 57 LEED certified projects in Sweden (April 2014), of which 67% are LEED Gold and 23% LEED Platinum. Sweden ranks 10th on USGBC's annual ranking of the Top 10 countries for LEED in terms of gross square meters.
Rating		Majority of BREEAM issues are tradable, meaning that the client can pick and choose which to comply with in order to build their BREEAM performance score. BREEAM issues do have minimum standards, so to achieve a particular BREEAM rating a defined number of credits for that issue must be achieved. BREEAM has two stages, Interim Design Stage and Post Construction Stage, with different assessment criteria. Rating benchmarks, Environmental Weightings and Minimum BREEAM standards determine final BREEAM rating. The areas are weighted with respect to each other. The sum of	There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance). Each version of LEED contains unique requirements that must be satisfied to receive certification (1. Must comply with environmental laws 2. Must be a permanent building 3. Must use a reasonable site boundary 4. Minimum floor area of 93 square meters 5. Minimum occupancy rates (1 or more FTE) 6. Must commit to sharing whole building energy and water usage data 7. Gross Floor

		the points obtained in each area are converted to the % obtained of the total possible within each area, with the share then being weighted according to the total weighting of each area. For BREEAM very good a score of 55% or above must be reached. For Very Good a Minimum Number 1 must be reached for the issues “	area must be no less than 2% of the gross land area) Each project must satisfy a combination of credits for the specific level of certification desired. Credits are arranged in a series of categories. Each credit is associated with a number of points, which determine the level of certification.
Comparable Issues to reach M. Silver or BREEAM Very Good	<u>Daylight:</u> Daylight factor of more than 1,2% <u>Thermal Climate Summer and Thermal Climate Winter:</u> PPD smaller or equal to 15%. <u>Moisture Prevention:</u> Moisture Proof design according to Bygga F <u>Noise Protection:</u> equal to or 50% above the Parameters Class B <u>Absence of hazardous substances:</u> Some POS above content limits occur and are listed	<u>Daylight:</u> is not a minimum requirement, at least 80% of the floor area is adequately daylight with an average daylight illuminance of 200 lux for 2650 hours per year. (they also have a daylight factor 2,1 and 2,2) <u>Occupants Thermal Comfort:</u> is not a minimum requirement, to receive 1 credit PPD has to be assessed and cannot fall within levels defined as local dissatisfaction. <u>Moisture Control:</u> is not a minimum requirement, Moisture safety planning according to Bygga F or equivalent. <u>Acoustics:</u> no minimum requirement, for one credit all acoustic parameters for sound class C. For 2 credits, all acoustic parameters for Sound Class B. <u>Avoidance of hazardous substances:</u> no minimum requirement, Construction Material Assessment System has been used and substances are documented	<u>Daylight:</u> is not a minimum requirement, achieve daylighting in at least 75% of the regularly occupied spaces. <u>Thermal Comfort:</u> not a minimum requirement, provide individual comfort controls for 50% of the building occupants <u>Indoor Chemical and Pollutant Source Control:</u> no minimum requirement, design to minimize and control the entry of pollutants into buildings and later cross-contamination of regularly occupied areas.

Validity of Certification	The certification is valid for up to 10 years.	BREEAM for new constructions is a one-time certification valid for the lifetime of a building. BREEAM in-use is for existing buildings and encompasses three different elements within the scheme: operational, intrinsic and management aspects of a building. It must be re-certified annually. Certificates may be renewed subject to confirmation by the client that no significant changes have been made to the asset or the occupying organizations' policies. After two renewals have been completed, a full reassessment is required.	The LEED certification expiration policies require that a project team undertakes some action within a specified amount of time following the award of certification or other official determination issued by the Green Building Certification Institute. If a project team does not complete these requirements, the certification shall expire.
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Appendix 2: Documents Reviewed

Sustainalytics reviewed the following internal documents for the purposes of writing this report:

Number	Document Name
1	Hemsö Sustainability Policy
2	Hemsö Sustainability Report
3	Hemsö GHG Emission Reporting
4	Hemsö Energy Policy
5	Hemsö GRESB Survey 2014
6	Hemsö Sustainability Guidelines for Supply Chain, Communication, Energy
7	Hemsö Sustainability Bond Framework
8	Hemsö Working Environment Handbook
9	Hemsö Safety and Inspection Notification Form
10	Hemsö Accident and Incident Notification Form
11	Hemsö Working Environment Rehabilitation Plan
12	Hemsö Sustainability Strategy Workshop – Meeting Minutes
13	Hemsö Purchasing Policy
14	Hemsö Diversity and Equal Opportunity Plan
15	Hemsö Communication Policy
16	Hemsö Sample Lease

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The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.

In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.



SUSTAINALYTICS
At a Glance



Our Team

Michael Jantzi, CEO

More than 200 staff members, including over 120 analysts with multidisciplinary and industry expertise

Shareholders: ABN AMRO MeesPierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos

Board Members:
Else Bos, CEO, PGGM

Alan Broadbent, CEO, Avana Capital Corporation

Melissa Brown, Partner, Daobridge Capital

Michael Jongeneel, COO and Managing Director, Triodos Investment Management

Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC

Glen Saunders, Treasurer and Board member, Principles for Responsible Investment (PRI)

Our Offices

Offices in Amsterdam (Headquarters), Boston, Frankfurt, London, New York City, Paris, Singapore, Timisoara, and Toronto. Representative offices in Bogotá, Brussels, Bucharest, Copenhagen and Washington D.C.

Our Clients

Our 250+ clients worldwide include financial institutions, asset managers, mutual funds, pension funds, private companies, international organizations and academic networks