



Green Bond Framework

May 2018

Important Notice

This document (the “Green Bond Framework”) contains information on Vacse AB publ (“Vacse”) issuance of interest-bearing notes with added environmental criteria (the “Green Terms”). Any such issuance by Vacse that includes the Green Terms in its loan documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be labelled a Green Bond (“Green Bond”). Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. Any issuance of notes will be subject to the version of the Green Terms in the associated loan 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 Green Bond Framework on Vacse’s website.

Background

In May 2018 Vacse announced to the market its intentions to issue Green Bonds and subsequently made this document, Green Bond Framework, available on Vacse’s website.

Vacse strives to be a long-term and reliable property owner of public properties with a consistent conservative view on risk. Vacse was founded in 2009 and is owned by seven Swedish pension funds linked to Apoteket, Atlas Copco, Ericsson, Sandvik, Skanska, Stora Enso and Volvo. Vacse creates value through long-term relationships with its tenants and construction companies, as a stable financial partner in projects during development.

Vacse focus on ownership of public properties with governmental tenants. Main tenants are; The Swedish Prisons and Probation Service, The Swedish Police, Swedish Courts, Swedish Civil Contingencies Agency and the Swedish Prosecution Authority. These tenants are active within special operations that demand high standards, not least in terms of security. Vacse is convinced that a clear sustainability strategy is an important parameter to be perceived as a thoughtful and long-term actor on the market. This applies to all activities today as well as in the future.

Vacse have signed up to the UN’s Global Compact and the Government’s Fossil Free Sweden initiative, and thereby adhere to the Universal Declaration on Human Rights as well as the ILO’s core conventions. We will continue to develop and improve upon our efforts based on these key initiatives and principles.

Sustainability is integrated within all operations at Vacse. The company’s management team, the CEO, the CFO and the

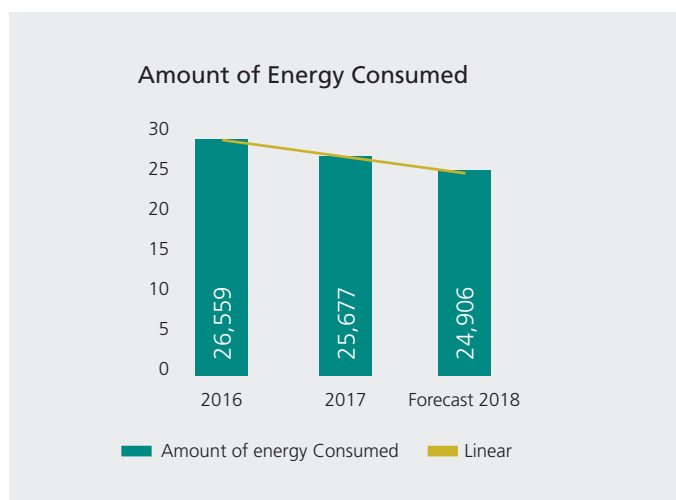
Head of Properties, is ultimately responsible for sustainability and all employees are equally responsible for implementing and enforcing sustainability within their respective unit. To intensify the work at all stages Vacse appointed a Manager responsible for sustainability matters during 2017.

Vacse’s strategy is to own high-quality properties and most of the stock are newly constructed and modern. To assure sustainable property ownership, Vacse has decided to certify its yet un-certified part of the portfolio according to BREEAM In-Use. This certification scheme evaluates the building’s sustainability status and how the building is managed during the operation phase. All buildings are aimed to reach as least a “Very Good” level, a five out of seven rank, to assure high quality and enable green bonds.

Legislation, investors, tenants and other stakeholders make ever greater demands on accountability. With this said, transparency become increasingly crucial. Vacse therefor initiated a cooperation with Mestro, an energy monitoring company during 2017 to directly be able to visualize consumption data, energy partitions and other wholesome information that previously were difficult to communicate to larger groups through engagement screens out in the buildings.

Vacse uses one hundred percent renewable electricity throughout the property portfolio and continuously works to streamline energy consumption in existing properties. The sustainability work within Vacse is based on the company’s environmental and energy policy and involves taking environmental, ethical and social responsibility for the development of the company and its properties vis-à-vis owners, tenants, suppliers, employees and society at large.

At the beginning of 2017, Vacse received its ISO 14001-certification, the company also signed an Environmental Policy to steer the work on sustainability. The total energy usage within the property portfolio was lowered by 3,3% from 26,6 GWh to 25,7 GWh which can be converted to 49 ton CO₂. Vacse's goal is to lower its usage with another 3% during 2018, and aims long-term for goals set for 2030, a 20% reduction (baseline 2017). Vacse's internal missions are annually calculated and climate compensated through Plan Vivo certified projects.



For increased cooperation with our tenants and to jointly reduce energy use in the future, all tenants are given the opportunity to sign Fastighetsägarnas Green Appendix. The appendix clarifies the environmental impact and what measures the landlord and the tenant have agreed to reduce.

To clarify requirements and guidelines for sustainable and responsible business enterprise, all operating suppliers to Vacse have signed a Suppliers Code of Conduct. Which states that

all delivery of goods and services should be based on the UN Global Compacts ten principles. The principles are based on the UN's Declaration of Human Rights, ILO's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and the UN's Convention Against Corruption. Vacse is since the beginning of 2016 a member of Sweden Green Building Council (SGBC).

Vacse has also entered a Vinnova-funded research project with SLU Alnarp and other pertinent property owners, regarding [Restorative Work Place](#). Research has shown that people being exposed to green environments feel better, have better short-term memory and show more empathy towards each other. The project was launched during Q1 2018 and continues until late Autumn of 2020. The project addresses an urgent challenge in line with the challenges of sustainable attractive cities. The project is estimated to have the potential to contribute to an increased prioritization of green spaces in community planning. The solution is also considered to have good potential for dissemination and utilization both nationally and internationally.

More information about our work with sustainability is available on our website.

Vacse will strive to monitor the development of the Green Bond market to continually advance the Green Terms. As such the Green Bond Framework will be updated from time to time to reflect current market practices. In establishing the terms in this framework Vacse has sought to comply with the Green Bond Principles (June 2017) as well as the current best market practice.

Vacse has worked together with Handelsbanken to develop the Green Bond Framework. CICERO provided a second opinion on the Green Terms, which is publicly available on Vacse's website (www.vacse.se).

Stockholm, 14 May 2018

Fredrik Linderborg
CEO

Henrik Molin
CFO

Sara Jägermo
Head of Properties

Methodology and Scope

Eligible Projects and Assets are green assets identified within Vacse's existing assets and ongoing development that support the transition to low carbon intensity and sustainable development. All Eligible Projects and Assets shall contribute to one or more of the following set of global criteria:

- 1. Mitigation (M):** Reduce harmful emissions of greenhouse gas, either by improving and transitioning existing assets through meaningful upgrades and retrofits or by investing in new assets utilizing low carbon intensive technology and environmentally sound solutions.
- 2. Adaptation (A):** Adaptation investments to better withstand the effects brought on by climate change, improving the resilience to climate change and expected changes in the micro-climate and local environment, for instance, increased rainfall, heightened risk of flooding or sea level rise.
- 3. Environment and Eco-Systems (E):** Support environmental investments with a positive environmental impact other than the direct mitigation of climate change (max 15% of net proceeds).

Alignment with the UN Sustainable Development Goals

The UN Sustainable Development Goals ("SDG") were adopted by the United Nations general assembly on September 25th, 2015. There are 17 global goals with 169 defined underlying targets. The two charts below highlights each of the 17 goals that are incorporated into the Vacse's operations as well as this Green Bond Framework.

Vacse Works Towards the Following SDG's:



This Framework Mainly Targets the Following SDG's:



The SDG's becomes a guideline in Vacse's continuous prosper to set virtuous examples and to reach the underlying targets connected to the universal goals. By implementing sustainable methods and making greener demands:

- i. the use of harmful contaminants that may affect human health will be reduced (3).
- ii. water is used more efficiently and waste is limited (6).
- iii. old electronics and incandescent lamps are replaced with greener options (7).
- iv. deals are only made with companies that use durable materials, care about the environment and treat their employees fairly (8).
- v. diversity is promoted. Everyone should have the same opportunities regardless of sex, ethnicity, sexual orientation, social background and physical abilities (10).
- vi. clean transportation, such as electrical cars and bikes, is taken into consideration in early stages of design and planning phases (11).
- vii. requirements on reduce, reuse and recycle are set (12).
- viii. modern, innovative and energy efficient buildings are constructed (13).
- ix. biodiversity and promotion of land-based ecosystems are accomplished (15).

The Green Terms

1. Eligible Projects and Assets (Use of Proceeds)

The net proceeds from the issuance of Green Bonds will be used by Vacse to, in whole or in part, finance a select pool of “Eligible Projects and Assets” that promote environmental matters in different areas. The net proceeds will be used exclusively on project and assets that comply with the categories and criteria’s set out below. The net proceeds will not be allocated or linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. The long-term ambition is to allocate most of the net proceeds to new projects and assets (defined as projects and assets financed within 12 months from completion). The proportion of financing to new projects and assets will be disclosed in the annual reporting.

Use of Proceeds Categories



Green Buildings (M)

Development, acquisition, major renovation or otherwise completed public properties 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 level or better:

Green Buildings	New Buildings	Existing Buildings
Environmental building certification	Miljöbyggnad “Silver”, BREEAM-SE “Excellent” or LEED “Gold” The property must also have 20% lower energy use than required by the applicable national building code (BBR).	Miljöbyggnad “Silver” or BREEAM In-Use “Very Good” Existing properties require a 25% lower energy use than required by the applicable national building code (BBR).



Energy Efficiency (M)

Investments in 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, district 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. Vacse 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.

The properties should be maintained with long-term goals to decrease energy, water and waste through increased recycling to reduce their climate footprint. Vacse will therefore work actively to limit carbon dioxide emissions. The real estate portfolio is young and consequently holds a high quality. In addition, the buildings have a high degree of utilization because of our tenants’ character. The target for 2018 is thus to reduce the entire portfolio’s emissions by an additional 3% from 2017.



Renewable Energy (M)

Investments in solar power or geothermal power, either on an existing building or as a stand-alone investment.



Environmentally Sustainable Management of Living Natural Resources (M/E)

Investments in green environments that promote, restore and preserve biological diversity. These include, green roofs, green walls, urban biotopes, flower-beds, trees, which all have a positive effect on reduced noise levels, risk of flooding, binding air pollution and strengthens ecological values within the zone of accumulation.



Clean Transportation (M)

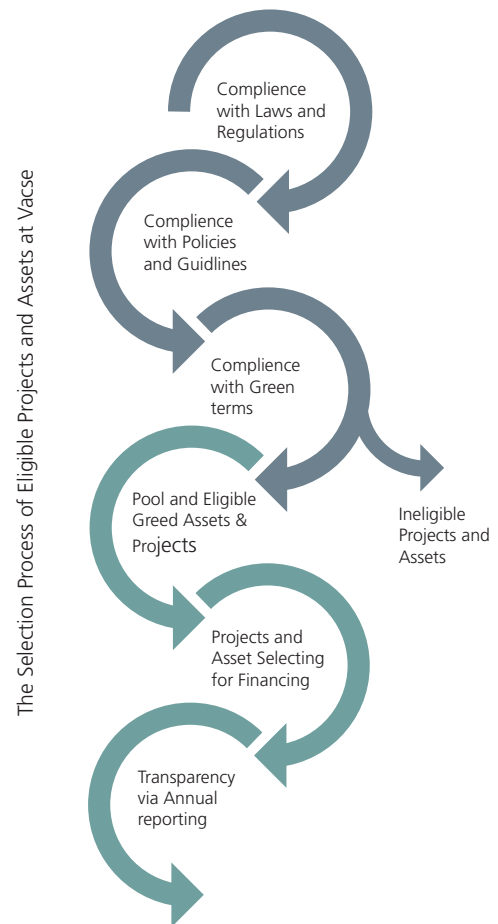
Investments in supportive infrastructure for clean transportation, for example charging stations for electric vehicles, bicycling garages and other investments that support and emphasize the use of clean transportation solutions.

2. Process for Project Evaluation and Selection

The business units, administrative departments and environmental department within Vacse will nominate projects and assets within the eligible categories to a Sustainable Finance Committee consisting of members from the management team including the CEO, the CFO and the Head of Properties. A decision to allocate net proceeds will require a consensus decision by the committee.

The projects and assets must also be compliant with the Green Terms, applicable national laws and regulations, and policies and guidelines within Vacse. The decision will be documented by the committee and a record will be kept.

To ensure legitimacy in this process a list of all Eligible Projects and Assets that meet the Green Terms will be kept by Vacse. The list will be used as a tool to determine if there is a current or expected headroom to issue a Green Bond.



3. Management of Proceeds

The net proceeds of any issue under the Green Bond Framework will be credited to an earmarked account (the “Green Account”). A transfer from the Green Account is allowed in an amount corresponding to the financing or refinancing of Eligible Projects and Assets that have met the Green Terms, or to repay a Green Bond. If a Project or Asset no longer qualifies according to the Green Terms the funds will be reallocated to projects and assets that meet the Green Terms.

The Green Account ensures strong monitoring and tracking of the Use of Proceeds. The Finance Department will keep a record of the purpose of any transfers on the Green Account. The allocation of net proceeds may not exceed the market value or investment expenditure, as applicable, of an Eligible Project or Asset less any external debt encumbering/financing such projects or assets.

The Finance Department will be responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects and Assets (in accordance with the Green Terms).

If the Green Account has a positive balance the unallocated funds may be invested in short-term interest-bearing securities according to Vacse’s Financial Policy pending investment in Eligible Projects and Assets. At the time of establishing the Green Terms the Financial Policy allowed investments in Nordic highly rated short-term notes (Investment Grade rating from Standard & Poor’s an equivalent rating from Moody’s or shadow rating).

The allocation of proceeds will be verified by an external auditor at Vacse (see “Annual Review” in Reporting and Transparency).

4. Reporting and Transparency

Vacse will publish a yearly report integrated into its annual financial reporting that will describe the use of funds and adherence to the Green Terms (the “Reporting”). The first such Reporting is expected to take place in April 2019 and will be available in Swedish.

The Reporting will contain a list of all Eligible Projects and Assets that have been financed with Green Bonds, a summary of Vacse’s activities in the past year as pertains to Green Bonds as well as information regarding each Eligible Project and Asset’s adherence to the relevant Applicable Criteria.

Allocation Disclosure

- For Green Buildings that have met the Applicable Criteria and to which net proceeds have been allocated the Reporting will disclose the aggregate market value (or investment cost, as applicable) and the sum of other external debt financing such assets/projects.
- For the categories Energy Efficiency Investments, Renewable Energy Investments, Environmentally Sustainable Management of Living Natural Recourses Investments and Clean Transportation Investments the total allocation of green net proceeds to each category will be disclosed.
- The Reporting will also disclose the sum of outstanding Green Bonds and the sum of the Green Account balance (including any short-term investments). The data shall be from the last of December in the previous year.
- The Reporting will also contain a disclosure of a select set of asset level indicators and measurements. The data will be provided in a table format and disclosing, where and when available, the following indicators and measurements:

Impact Metrics for Green Buildings:

- i. Environmental certification.
- ii. Energy consumption disclosed by absolute consumption (kWh) and intensity (kWh per square meter) per year.
- iii. Calculated carbon footprint disclosed by absolute emissions (tons) and intensity (kg per square meter). The greenhouse gas emissions are monitored annually by Vacse in accordance with the Greenhouse Gas Protocol per year.
- iv. Purchased renewable energy disclosed by absolute consumption (kWh), intensity (kWh per square meter) and percent renewable energy of the total purchased energy.

Definitions

“**Miljöbyggnad Silver**” means the rating Silver 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.

“**BREEAM-SE Excellent**” means the rating Excellent within BREEAM, a grading scheme for the real estate sector developed by Sweden Green Building Council in cooperation with BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

Impact Metrics Energy Efficiency Investments:

- 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. Vacse will emphasize energy and carbon savings, where applicable, as relevant performance metrics.

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 will be disclosed.
- ii. For an investment in a stand-alone renewable energy project the kWh/year and the estimated yearly CO2 savings will be disclosed.

Impact Metrics for Environmentally Sustainable Management of Living Natural Recourses:

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). Vacse will describe the investment and the area of the installation (if applicable), as relevant information metrics.

Impact Metrics for Clean Transportation:

- i. The number of charging stations for electric vehicles installed will be disclosed.
- ii. The number of bicycles that a bicycle garage can accommodate will be disclosed.

Annual Review

An external auditor at Vacse, or a similar party appointed by Vacse with the relevant expertise and experience, will investigate and report whether the Green Bond net proceeds have been allocated to the projects and assets that Vacse has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Vacse’s website (www.vacse.se).

Dedicated Website

Vacse will provide a dedicated webpage for Green Bonds at its website (www.vacse.se/investerare/grona-obligationer) where investors can find information regarding Vacse’s Green Bonds.

“**BREEAM In-Use Very Good**” means the rating Very Good within BREEAM, a grading scheme for the real estate sector developed by BRE Global, pursuant to its definition at the time of receipt of the relevant certification.

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

Policy Documents, Guidelines and, Instructions that Govern Vacse's Environmental and Sustainability Work

#	Name	Status	Information
1	Environmental Policy ISO 14001 (Swedish)	Public	Environmental Policy
2	Annual Report 2017 (Swedish)	Public	Annual Report 2017
3	Energy Policy (Swedish)	Non-public	
4	Energy and Environmental Goals (Swedish)	Non-public	
5	Water Strategy (Swedish)	Non-public	
6	Code of Conduct (Swedish)	Non-public	
7	Supplier Code of Conduct (Swedish)	Non-public	
8	Green Lease Agreement (Swedish)	Non-public	
9	Environmental Program for Tenant Adaptation (Swedish)	Non-public	
10	Guideline: UN Global Compact (English)	Non-public	
11	Guideline: Initiativet Fosilfritt Sverige (Swedish)	Non-public	
12	Guideline: List of Environmental Laws (Swedish)	Non-public	
13	Guideline: Climate Compensation (Swedish)	Non-public	
14	Guideline: Taxi Nollzon (Swedish)	Non-public	
15	Guideline: Acquisition Process (Swedish)	Non-public	
16	Instruction: Purchasing and Procurement (Swedish)	Non-public	
17	Instruction: Waste Disposal (Swedish)	Non-public	
18	Instruction: Traveling (Swedish)	Non-public	
19	Instruction: Chemical Catalogue (Swedish)	Non-public	
20	Instruction: Energy Saving (Swedish)	Non-public	



VACSE AB (publ)

Kungsgatan 26, 111 35 Stockholm

vacse.se | info@vacse.se