



# Humlegården Fastigheter AB Green Finance Second Opinion

17 June, 2020

**Humlegården Fastigheter AB (Humlegården) is a property company in the Länsförsäkringar Alliance, Sweden's only customer-owned and locally based banking and insurance group.** Humlegården owns, manages and develops properties, specialising in offices. Currently, they own 59 properties in the Stockholm area. Humlegården has previously issued green bonds based on a Green bond framework from 2017.

**Proceeds can be allocated to new green developments and to improve older assets.** The majority of the net proceeds are expected to be allocated to existing projects and assets (defined as projects and assets older than 12 months). The eligible Green Bond Principle categories are Clean transportation, Energy efficiency, Green buildings and Renewable energy. It is estimated that approximately 80% of the proceeds will go to the category Green buildings. Eligible assets must achieve certain certification levels and remain under clearly defined thresholds for energy use. The net proceeds will not be allocated or linked to fossil based or nuclear energy generation, or activities related to weapons, gambling, tobacco or environmentally negative resource extraction.

**Humlegården has in place clear and relevant policies that include transport considerations and engagement with suppliers on sustainability and has as a long-term target to become climate neutral in all operations by 2045, the same as the national Swedish target.** To help achieving this goal, Humlegården has as a medium-term milestone to reduce energy use by 32% from 2019 to 2030 (for an average annual change of -3.5%) and to increase use of renewable energy. The short-term target for the entire portfolio is to decrease energy use per square meter by at least 2% per year. In 2019 the specific energy use was 116 kWh/m<sup>2</sup>.

**Humlegården's Annual and Sustainability Report is in accordance with the Global Reporting Initiative Standards (GRI).** It also includes climate reporting according to the Greenhouse Gas Protocol. To further increase the transparency, Humlegården also provides detailed information to the global platform Nasdaq Sustainable Bond Network. The aim is to also follow the guidelines of TCFD in the future.

**This framework has several strong elements.** However, based on the use of proceeds and overall assessment of the project types, governance and transparency considerations we note that energy efficiency targets for existing buildings as well as the targeted certification level remain below the requirements for a Dark Green shading. It would also gain from reporting on emissions from construction and materials. Therefore, Humlegården's green finance framework receives a strong **Medium Green shading**.

## SHADES OF GREEN

Based on our review, we rate the Humlegården's green bond framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in Humlegården's framework to be **Excellent**.



## GREEN BOND and GREEN LOAN PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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# 1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated May 2020. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

## Expressing concerns with 'shades of green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

### CICERO Shades of Green



**Dark green** is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



**Medium green** is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



**Light green** is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.



**Brown** is allocated to projects and solutions that are in opposition to the long-term vision of a low carbon and climate resilient future.

### Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available



New infrastructure for coal

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, the governance aspects are carefully considered and reflected in the overall shading of the green bond framework. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



## 2 Brief description of Humlegården's green finance framework and related policies

Humlegården Fastigheter AB (Humlegården) is a property company in the Länsförsäkringar Alliance, Sweden's only customer-owned and locally based banking and insurance group. Humlegården owns, manages and develops properties, specialising in offices. They own 59 properties in Stockholm, concentrated to five office areas: Stockholm city, Solna strand, Sundbyberg, Hagastaden and Hagalund. Humlegården is the fifth largest property owner in the Stockholm office market and owns and manages properties with a market value of SEK 34,5 billion (31 December 2019). The company carries out development projects and makes acquisitions in strategic locations in order to develop its property portfolio. These development projects comprise new-builds or developing existing properties.

Humlegården has previously issued green bonds based on a Green bond framework from 2017, shaded as CICERO Medium Green at that time. The new Green Finance Framework is an update of the previous framework.

### Environmental Strategies and Policies

Humlegården has as a long-term target to become climate neutral in all operations by 2045, the same as the national Swedish target. To help achieving this goal, Humlegården has as a medium-term milestone to reduce energy use by 32% from 2019 to 2030 (for an average annual change of -3.5% over the period) and to increase use of renewable energy by use of solar panels. The short-term target for the entire portfolio is to decrease energy use per square meter by at least 2% per year.

A further goal is that new development projects should achieve the best possible environmental grades given external conditions like the local climate and type and size of the building plot, while at the same time pursuing certification of the standing assets in the building portfolio. The standing assets are certified using the international environmental assessment methodology BREEAM In-Use, with an ambition to achieve at least "Very Good" within property management. New projects are screened for climate change resilience, in particular with respect to potential water related damages.

Humlegården has furthermore as one of their long-term goals to be among the best goods procurers and drive development forward together with their partners. A plan for developing Science Based Targets<sup>1</sup> for Humlegården in 2020 is part of this goal.

Humlegården is a member of Sweden Green Building Council (SGBC), an ideal organization working for green buildings and a green building sector. Humlegården subscribe to the UN Global Compacts principles and related actively to the United Nation's Sustainable Development Goals.

By the end of 2019, the proportion of environmentally certified management properties amounts to 90% of LOA (local area)<sup>2</sup>. Properties are first certified in connection with completion.

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<sup>1</sup> <https://sciencebasedtargets.org>

<sup>2</sup> LOA is the use area (BRA) for purposes other than accommodation.



To reduce the climate footprint, Humlegården has decreased the fleet of its service vehicles and replaced it with 100% electric vehicles, which are charged with electricity from renewable energy sources.

Humlegården's Annual and Sustainability Report is in accordance with the Global Reporting Initiative Standards (GRI). It also includes climate reporting according to the Greenhouse Gas Protocol. To further increase the transparency, Humlegården also provides detailed information to the global platform Nasdaq Sustainable Bond Network. The aim is to also follow the guidelines of TCFD<sup>3</sup> in the future.

Energy use was reduced by 6% from 2018 to 2019, while greenhouse gas emissions went down by 16%, dominated by an impressive reduction in scope 2 emissions from district heating which was reduced by 26%.

To calculate GHG emission reductions, Humlegården uses the Green House Gas Protocol and reports on Scope 1, Scope 2 and Scope 3 emissions. Scope 3 emissions currently covers emissions from flights (which are climate compensated) and production and transport of fuels. In 2019 the grid factors used were 10.2 grams CO<sub>2</sub>e/kWh for electricity (reported by Vattenfall), 27.8 grams CO<sub>2</sub>e/kWh for heat and 0.01g/kWh for cooling (reported by Norrenergi), with a combined CO<sub>2</sub>e for delivered energy of 17.7 grams CO<sub>2</sub>e/kWh (all values includes Scope 2 and Scope 3 emissions per energy source).

### Use of proceeds

Any financing that includes the environmental criteria ("Green Terms") in the green finance framework, will be designated green finance. Other labels may apply to the specific type of financing, for instance green bond, green commercial paper or green loan. Humlegården only operates in the Swedish market and the net proceeds will therefore be used exclusively to finance or refinance investments and expenditures in Sweden.

An amount equivalent to the net proceeds from green financing will exclusively be used by Humlegården to fully or partly finance or refinance investments and expenditures that promote the transition to low-carbon, climate resilient and sustainable economies. The eligible Green Bond Principle categories are Clean transportation, Energy efficiency, Green buildings and Renewable energy. It is estimated that approximately 80% of the proceeds will go to the category Green buildings.

The majority of the net proceeds are expected to be allocated to existing projects and assets (defined as projects and assets older than 12 months). The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting. Both financing and refinancing of eligible assets (without age restriction) and operational expenditures (up to 3 years look back period) can qualify. The expected share of refinance investments is of the order of 75% and less than 1% will most likely be assigned to operational expenses.

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.

### Selection:

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

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<sup>3</sup> <https://www.fsb-tcdf.org>



Humlegården's properties are environmentally assessed, managed and certified as a part of the company's normal business operations and the collected data is stored digitally by its employees. Information about ongoing and planned development, as well as existing properties, is periodically extracted from the company's data base for review by the Green Business Council ("GBC") to determine whether such projects and assets are compliant with the conditions for eligible projects in this framework. The GBC is a subcommittee of the company's Sustainability Committee and currently has the following members: Group Treasurer and Head of Sustainability. The subcommittee has long and good experience with environmental and sustainability matters. The GBC will review information about the assets and evaluate the overall environmental impacts, which include local and social acceptance of projects, life cycle considerations, potential rebound effects, resilience considerations and adherence to at least one of the environmental objectives. Subcontractors must sign up to Humlegården's Code of conduct (based on UN Global Compact Principles) as well as more stringent energy and environmental requirements. The Green Business Council can request additional information, sometimes from external experts, 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 GBC and their decisions will be documented.

### Management of proceeds

CICERO Green finds the management of proceeds of Humlegården's green finance framework to be in accordance with the Green Bond and Green Loan Principles (2018).

The net proceeds of any green financing will be credited to a dedicated account (the "Green Account") or otherwise tracked by Humlegården (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 financing. Proceeds will be allocated to a portfolio of disbursements.

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 financing, unless otherwise agreed 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 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 Humlegården's sustainability policy and investment criteria, including the exclusion criteria mentioned under Use of proceeds. 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).

Humlegården acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of funds, hence verification will be sought from Humlegården's external auditor.

### Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.



In order to be fully transparent towards the investors and other market stakeholders, Humlegården will publish an annual report on its website (<https://www.humlegarden.se/greenfinancing>) that will detail the allocation of green funds and adherence to the terms of the framework (the “Reporting”). The first such Reporting under this framework is expected to take place in April 2021, in proximity to the company’s annual report, and will be available in English. In addition to the yearly reporting, a quarterly statement will be published on the website disclosing the total amount of green financing outstanding and the total value of green assets.

The Reporting will contain information on all green assets that have been financed with green financing, a summary of Humlegården’s activities in the past year as pertains to green financing as well as information, including examples, of the financed green asset’s adherence to the relevant criteria. For larger project, the reporting will be at the property level. Smaller project, e.g. energy efficiency, will be shown by selected examples. The reporting will be based on consolidated data and not be linked to individual bonds.

Humlegården will provide information on the sum of outstanding green financing and the sum of the Green Portfolio balance, including any short-term investments or funds managed within Humlegården’s liquidity portfolio, and the proportion of net proceeds allocated to new investments and expenditure. All data is to be as of the end of the previous year.

The Reporting will also contain a disclosure of asset level performance indicators. For financed green assets that are not yet operational, Humlegården will strive to provide estimates of future performance levels. Humlegården will emphasise energy savings and greenhouse gas reductions as the most relevant performance metrics for most projects. To calculate GHG emission reductions, Humlegården uses the Green House Gas Protocol and reports on Scope 1, Scope 2 and Scope 3 emissions (excluding emissions from materials and construction).

The Green Business Council (GBC) will ratify the reporting. The external auditor of Humlegården, or a similar party appointed by Humlegården 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 Humlegården has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Humlegården’s website (<https://www.humlegarden.se/greenfinancing>). Impact reporting is not audited.



### 3 Assessment of Humlegården's green finance framework and policies

The framework and procedures for Humlegården's green finance investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Humlegården should be aware of potential macro-level impacts of investment projects.

#### Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Humlegården's green finance framework, we rate the framework **CICERO Medium Green**.

#### Eligible projects under the Humlegården's green finance framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green financing aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds and Green Loan Principles state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
<b>Clean transportation</b> 	Supportive infrastructure such as charging stations for all types of electric vehicles, bicycle garages, or other investments that support and emphasize the use of environmentally sound and low carbon solutions, as well as fully electric and hydrogen vehicles used in the operation of Humlegården.	<b>Dark Green</b>  ✓ Use of hydrogen can entail greenhouse gas emissions, depending on hydrogen production process.
<b>Energy efficiency</b> 	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, energy-efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows or an upgraded ventilation system. Only	<b>Dark Green</b>  ✓ Efficiency measures in existing buildings is a good way to lower the climate footprint of buildings, unless it involves fossil fuel elements which then can be locked in. Humlegården informs us that they avoid all



directly associated expenditure (e.g. material, installation and labour) is eligible for financing.

Humlegården will ascertain the following:

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

investments that can lead to lock-in of fossil fuel technologies.

- ✓ The 32% improvements in energy use over the whole portfolio over the next 10 years is very good.

### Green buildings



- A. New properties: Development, acquisition or otherwise recently completed properties that have, or will, receive a design stage certification or a post-construction certification of Miljöbyggnad "Guld", LEED "Platinum" or BREEAM "Excellent" (or better) and achieve at least 30% lower energy use per square meter than required by the applicable national building code (BBR) or meet the requirements of NZEB<sup>4</sup>.
- B. Existing properties or major renovations that have, or will receive
  - i. a design stage certification, a post construction certification or an in-use certification of Miljöbyggnad "Silver", LEED "Gold" or BREEAM "Very Good" (or better) and
  - ii. achieve an overall reduction in energy use of at least 30% or achieving an energy use in line with the applicable national building code (BBR) for newly built properties.
- C. Existing buildings that achieve an energy use per square meter not exceeding the targets set out below:

Construction year	Energy use per m <sup>2</sup>
Before 1971:	135 kWh/m <sup>2</sup>

### Medium Green

- ✓ In addition to climate issues, BREEAM and LEED cover a broader set of issues, which is important to overall sustainable development. These certification levels alone do not ensure improved energy efficiency, passive or plus housing. This framework's strict requirements on energy efficiency, in particular for new buildings is, however, a clear strength. Thus new properties will get a Dark green shade.
- ✓ Refurbishment of existing buildings are often better than new constructions from a climate point of view. However, requirements to existing properties are weaker and get a Medium green shading. Since the majority of the net proceeds will be for existing properties, the overall shading of Green buildings is Medium green.
- ✓ The issuer should consider construction phase emissions, resilience and emissions related transportation to and from the properties.

<sup>4</sup> NZEB = Nearly zero-energy buildings. The nearly zero or very low amount of energy required should be covered to a very significant extent from renewable sources, including sources produced on-site or nearby. ([https://ec.europa.eu/energy/content/nzeb-24\\_en](https://ec.europa.eu/energy/content/nzeb-24_en))



1971-1999:	125 kWh/m <sup>2</sup>	✓ The issuer has confirmed that proceeds will not be used for any equipment that is fossil-fueled based nor for any buildings with direct fossil fuel heating.
2000-2006:	115 kWh/m <sup>2</sup>	
After 2006:	According to applicable national building code (BBR), but must be lower than 100 kWh/m <sup>2</sup>	

### Renewable energy



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

### Dark Green

- ✓ Be aware of potential rebound effects.
- ✓ Humlegården informs us that the geothermal heating systems are closed system, thus avoiding dangers of potential pollution related to e.g. heavy metals.

Table 1. Eligible project categories

### Background

In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. According to the IEA<sup>5</sup>, the buildings and buildings construction sectors combined are responsible for 36% of global final energy consumption and nearly 40% of total direct and indirect CO<sub>2</sub> emissions. Efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand – in addition to improvements in lighting and appliances and increased renewable heat sources.<sup>6</sup> Energy efficiency improvements in buildings are thus important building blocks towards reaching the 2°C goal. Also, local transport solutions and easy access to renewable energy are important elements. Emissions from buildings are approximately half coming from materials/construction and half from energy use. Over time the energy use becomes less important (with off grid solution such as geothermal and solar increasing).

A large number of LCA studies show that wood-frame building results in lower primary energy and GHG emission compared to non-wood alternatives including concrete and steel. Less energy, in particular fossil fuels, is needed to manufacture wood-based building materials compared with alternative non-wood materials. Wood-based materials use primarily biomass residues for processing energy. Wooden materials also store carbon during their lifetime, temporary sequestering carbon from the atmosphere. Large amounts of biomass residues are produced during the manufacture and end-of-life of wood products, and these can be used to replace fossil fuels. Hence, wood-based buildings are appropriate for long-term strategies for reducing fossil fuel use and GHG emissions when combined with sustainable forestry<sup>7</sup>. Quantitative estimates are imprecise, but some studies indicate energy

<sup>5</sup> <https://www.iea.org/topics/energyefficiency/buildings/>

<sup>6</sup> <http://www.iea.org/tcep>

<sup>7</sup> R&D Fund for public real estate, The Swedish Association of Local Authorities and Regions (2016): Climate impacts of wood vs. non-wood buildings.



savings of the order of one third in the construction phase of wood buildings compared to buildings using mainly other materials.

Although voluntary environmental certifications such as LEED and BREEAM or equivalents can measure or estimate the environmental footprint of buildings and raise awareness of environmental issues, they fall short of guaranteeing an environmentally friendly building. They do not guarantee a reduction in greenhouse gas emissions nor necessarily include considerations of climate resiliency.

## EU Taxonomy

The proposed EU taxonomy for sustainable finance<sup>8</sup> includes a number of principles including a “do-no-harm clause” and safety thresholds for various types of activities. CICERO Green will not here verify Humlegården’s framework against the full EU taxonomy, but notes that the taxonomy includes specific thresholds for the real estate sector, briefly summarized as follows:

1. The design and construction of new buildings needs to ensure a net primary energy demand that is at least 20% lower than the level mandated by national regulations.
2. Ownership or acquisition of buildings built before 2021: Energy performance in the top 15% of similar stock.
3. Renovations should deliver 30% energy savings.
4. Large non-residential buildings should have dedicated energy management system.

It is currently unclear how this will apply to Sweden, but it is reasonable to expect that buildings with energy use 20 percent below present regulation would be aligned with the taxonomy. The taxonomy also highlights the importance of lifecycle emissions including a focus on building material such as wood.

Energy saving renovations for existing properties that result in buildings lowering their primary energy demand with 30% are also to be classified as sustainable within the EU Taxonomy. It is further anticipated that activities related to energy efficiency, including installation of solar panels, heat pumps, extension of district heating and cooling, are to be classified as sustainable according to the EU Taxonomy.

Based on the above, it seems reasonable to expect large parts of Humlegården’s green financing to be aligned with the EU taxonomy. Possible exceptions are related to point 2. above, since we don’t know the energy performance of the top 15% of similar stock, cf. table 1, Green buildings point B and C.

## Governance Assessment

Four aspects are studied when assessing the Humlegårdens’s governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution and does not cover e.g. corruption.

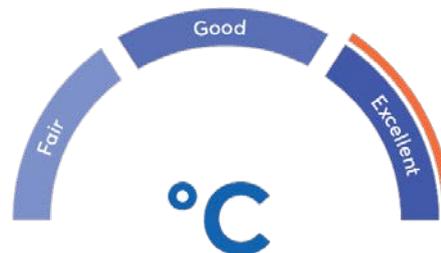
Humlegården has goals and targets aligned with the Swedish national ambition and the Paris agreement. The selection process is good, and includes evaluation of life cycle considerations, potential rebound effects, and resilience considerations. It is unclear whether controversial projects are screened for. The management of

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<sup>8</sup> Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020.  
[https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy\\_en](https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en)



proceeds is well aligned with the Green Bond and Green Loan Principles. Reporting is on a property basis for larger projects for both use of proceeds and impacts, and on a portfolio basis for smaller projects, e.g. energy efficiency measures. Choice of grid factors are based on detailed reporting from local suppliers. Humlegården's Annual and Sustainability Report is in accordance with the Global Reporting Initiative Standards (GRI).



The overall assessment of Humlegården's governance structure and processes gives it a rating of **Excellent**.

### Strengths

The issuer has ambitions for new buildings and refurbishment projects that are largely in line with the UNFCCC Paris agreement and Swedish national climate goals. One of the long-term targets of Humlegården is that all properties should be classified as minimum BREEAM In-use "Very good". This is from an energy perspective not significantly better than current regulations for new buildings in Sweden, but quite ambitious when it comes to older buildings. Climate wise, deep refurbishments are in most cases better than demolition and new construction. The energy efficiency requirements for existing buildings in the framework is more or less aligned with the 30% improvement by 2025 which IEA recommends for renovation of buildings. However, the issuer should be conscious of the improvement in standards that will be required over time in order to reach the 2045 targets.

CICERO Green assesses if there is any screening for potential impacts from more extreme weather events, such as flooding and forest fires. Flood risk for properties is of particular concern in vulnerable geographic regions such as those close to rivers that are exposed to flood risks. Humlegården has a high awareness when it comes to future water damages due to climate change.

The framework includes explicit exclusions of fossil fuel technologies and other environmental harmful activities, and this a strength.

It is a clear strength that the green finance framework is supported by a strong governance structure and clear environmental goals. Furthermore, a commitment to substantial impact reporting increases transparency to investors and is another clear strength of the framework. Thus, it is a strength the emission factor(s) used in Humlegården's green finance reporting will equal the emission factor(s) used in the company's sustainability reporting. It should be noted that the grid emission factor(s) Humlegården uses is/are considerably lower than what has been outlined in the "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting" (January 2019<sup>9</sup>), which currently states 380 grams CO<sub>2</sub>e per kWh. The grid factors used by Humlegården is based on environmental reporting from each local supplier and is sometimes supplemented by independent verification.

### Weaknesses

No significant weaknesses are perceived.

### Pitfalls

CICERO Green factor in if there have been any considerations around transportation solutions and environmental impacts in the construction phase of the building (building material and waste considerations). The CICERO Dark

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<sup>9</sup> [https://www.kuntarahoitus.fi/app/uploads/sites/2/2020/02/NPSI\\_Position\\_paper\\_2020\\_final.pdf](https://www.kuntarahoitus.fi/app/uploads/sites/2/2020/02/NPSI_Position_paper_2020_final.pdf)



Green shading is difficult to achieve in particular in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector should therefore conform to strict measures and is reserved for the highest building standards such as LEED Platinum, Zero-Energy buildings and passive houses. The issuer is encouraged to also consider construction phase emissions and systematically work on reducing emissions related to transportation to and from the properties.

Efficiency improvements may lead to rebound effects. When the cost of an activity is reduced there will be incentives to do more of the same activity. From the project categories in table 1, an example is energy efficiency investments in buildings which in part may lead to more energy use or a failing to reach the potential reductions. Humlegården's work with its property users can actively mitigate the risk of rebound effects related to energy efficiency.



# Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Humlegården_GreenFinancingFramework_200509	Humlegården's Green Finance Framework dated 9 <sup>th</sup> May 2020.
2	humlegården-fastigheter-ars--och-hållbarhetsredovisning-2019	Humlegården's Annual and Sustainability Report 2019
3	Humlegårdens globala mål	A description of the global targets of Humlegården
4	Humlegårdens hållbarhetsstrategi_jan 2020	The sustainability strategy of Humlegården, dated January 2020
5	List of properties	<a href="https://humlegården.se/en/financial-information/list-of-properties/">https://humlegården.se/en/financial-information/list-of-properties/</a>
6	Ownership disclosure	<a href="https://humlegården.se/en/financial-information/owners/">https://humlegården.se/en/financial-information/owners/</a>



## Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).

