

Rikshem AB Green Bond Framework

This document (the “**Green Bond Framework**”) contains information on Rikshem AB’s (“**Rikshem**”) issuance of interest-bearing notes with added environmental criteria (the “**Green Terms**”). Any such issuance by Rikshem 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 referred to 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 Rikshem’s website.

Background

Rikshem’s vision is to be the best long term owner of housing and public sector properties. The company aims to achieve this by combining business acumen and social responsibility. Rikshem’s work with energy saving investments are an important component in achieving this vision.

Rikshem’s property portfolio partly comprises of residential buildings from the 1960s and 1970s, which are energy inefficient. In order to mitigate the economic costs and negative environmental effects of this inefficiency Rikshem has undertaken a large investment strategy in which part of the property portfolio is thoroughly renovated and energy consumption reduced by as much as 35-55%. This investment strategy is the cornerstone of Rikshem’s Green Bond Framework.

Rikshem is also a pioneer in shifting construction material to wood, a low carbon alternative to traditional building materials such as steel and concrete. Such projects are a complementary part of the Green Bond Framework.

Additional information about Rikshem and the sustainability work is available on Rikshem’s website (www.rikshem.se).

Rikshem will strive to monitor the development of the green bond markets to continually advance the Green Terms. Accordingly the Green Bond Framework may be updated from time to time to reflect current market practices. In establishing the terms in this Green Bond Framework Rikshem has sought to comply with the Green Bond Principles (June, 2016) and current best market practice.

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Green Terms:

Eligible Assets (Use of Proceeds)

The net proceeds from the issuance of Green Bonds will be used by Rikshem, in whole or in part, to finance a select pool of Eligible Assets within the following categories: (1) Wooden real estate assets and (2) Energy saving investments. The net proceeds will be used on assets that comply with the Green Terms, as set out in this framework.

Categories of Eligible Assets and Applicable Criteria

- **Wooden real estate assets** (ongoing development or completed) with a low energy use that employ wood as the main building component and thereby minimize the use of carbon intensive materials such as concrete and steel.
 - The energy use per square meter must be at least 25% lower than required by the national building codes and regulations as of 2015 (Boverkets Byggregler, "BBR").
 - The wood must be either FSC or PEFC certified.
- **Energy saving investments** in existing real estate assets (either ongoing or completed) with a large targeted reduction in overall energy use.
 - Rikshem must have received a report from an External Consultant that the energy savings of the renovation will be at least 35%.

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

"FSC" means the global certification system for forests and forest products developed by the Forest Stewardship Council. FSC has a stated goal of environmentally sound, socially responsible and economically viable forestry.

"PEFC" means the global certification system for forests developed by the Programme for the Endorsement of Forest Certification. The PEFC promotes sustainable forest management through third party certification according to the PEFC standard.

"External Consultant" means a third party with adequate competence hired by Rikshem to perform an energy savings analysis and investigation. Environmental impacts are reported to Rikshem on a project/asset basis.

Process for Asset Evaluation and Selection

Eligible Assets will be selected by a committee consisting of the group treasurer, the head of projects and the head of energy and sustainability. A decision to allocate net proceeds will require a consensus decision by the committee as well as compliance with the Green Terms. The selection will be documented by the committee and a record will be kept.

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

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 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 disallows fungibility with other funds and ensures strong monitoring and tracking of the Use of Proceeds. The Finance Department will finance Eligible Assets with net proceeds from Green Bonds by way of intra group loans and keep a record of the purpose of any transfers on the Green Account. The financing may not exceed the market value of Eligible Assets.

If the Green Account has a positive balance the unallocated funds may be invested in short term interest bearing securities pending investment in Eligible Assets. Such allowed investments are Swedish treasury bills and highly rated short term bank notes (A+ rating from Standard & Poor’s or an equivalent rating from Moody’s or Fitch).

Reporting and Transparency

Rikshem will publish a yearly report on its webpage that describes the use of funds and adherence to the Green Terms (the “**Report**”). The Report will be available in English.

The Report will contain a list of all Eligible Assets that have been financed with Green Bonds, a summary of Rikshem’s activities in the past year as pertains to Green Bonds as well as information regarding each Eligible Asset’s adherence to the relevant Green Terms.

Net proceeds disclosure: For Eligible Assets to which net proceeds have been allocated the Report will disclose the aggregate market value, the outstanding amounts of issued Green Bonds, the Green Account balance (including any short term investments) and the available headroom in green value. The data shall be from the last day in the most recent quarter.

Impact reporting: The Report will also disclose a set of asset level impact indicators in a table format and the following impact indicators, when available, will be reported on:

- i. **Energy:** Energy consumption disclosed by yearly absolute consumption (kWh) and intensity (kWh per square meter atemp). In the case of energy saving investments the estimated or achieved reductions (absolute and percent) will also be disclosed.
- ii. **Carbon:** Calculated carbon footprint disclosed by yearly absolute emissions (tonnes) and intensity (tonnes per square meter atemp). The greenhouse gas emissions are monitored annually by Rikshem. In the case of major renovations with significant energy savings the estimated or achieved reductions (absolute and percent) will also be disclosed.
- iii. **Water:** Water usage disclosed by yearly absolute consumption (m3) and intensity (m3 per square meter atemp). In the case of energy saving investments the estimated or achieved reductions (absolute and percent) will also be disclosed.

The energy, carbon and water consumption/emissions are measured in assets where Rikshem is responsible for the purchase of energy and/or water. In buildings where the tenant is responsible for the energy and/or water supply Rikshem has no comprehensive picture of the actual energy and/or water consumption; hence, it is not accounted for and will not be disclosed.

Publication of information: Rikshem has a dedicated webpage where investors can find information regarding Rikshem's Green Bonds, such as the Green Bond Framework, the Second Opinion and current and future reporting, at its website (www.rikshem.se).