



**Investor Report**  
Green Bonds 2018

# Sustainable financing with green bonds

During 2018 Jernhusen issued a total of SEK 1 750 million in bonds within the Green Bond framework. Jernhusen considers the issuing of green bonds as an integrated way of developing the company's sustainable business.

Jernhusen has ambitious sustainability goals, which create prerequisites for Jernhusen's sustainability efforts and the aim of leading the development of tomorrow's station areas, depot areas and intermodal terminals. Active sustainability efforts also create the possibility for Jernhusen to introduce green financing.

## The Green Bond Framework

In 2018, Jernhusen added a Green Bond Framework to the company's existing Medium Term Note (MTN) program to enable financing with green bonds. The Green Bond Framework describes how the net proceeds from the green bonds are to be used, and how the evaluation, management of proceeds and reporting are to be carried out.

## Green Bond Second Party Opinion

The Green Bond Framework has been evaluated by the independent research and rating firm Sustainalytics to ensure that Jernhusen

is suitable as an issuer of green bonds. They confirmed that Jernhusen is well-positioned to issue green bonds.

Sustainalytics is of the opinion that the framework is credible, impactful and aligns with the four pillars of the 2017 Green Bond Principles. Sustainalytics also considers the project categories within the framework to have environmental benefits and that Jernhusen's process for the evaluation, proceeds management, selection and reporting of financed projects and assets is aligned with market best practice.

The framework and Sustainalytics' Second Party Opinion are available on Jernhusen's website for green bonds.

## Financed investments and projects

During the year, Jernhusen issued bonds to a total of SEK 1 750 million within the green bond framework which enables financing for a number of investments, projects and environmentally certified buildings.

## GREEN BONDS 2018

Loan no.	Volume SEKm	Issue date	Duration
120	500	2018-04-17	5 years
121	1 000	2018-04-17	5 years
122	150	2018-06-12	2 years
123	100	2018-11-15	3 years

## DISCLOSURE OF ALLOCATION

Green investments or assets as of 2018-12-31 (SEKm)	Investment/Market value	Allocated net proceeds
Green & Energy-efficient Buildings	5 709	1 656
Energy Efficiency	10	9
Renewable Energy	5	4
Clean Transportation	101	89
Pollution Prevention and Control	0	0
<b>Sum of allocated net proceeds <sup>1)</sup></b>		<b>1 758</b>
Proportion allocated to new projects/assets		142
<b>Sum of outstanding Green bonds</b>		<b>1 758</b>
Green Account Balance <sup>2)</sup>		0
<b>Sum of market value and investments</b>	<b>5 825</b>	

<sup>1)</sup> The difference between allocated net proceeds and issued bonds is due to the difference between the notional and settlement amount.

<sup>2)</sup> Includes short term investments.

At 31 December 2018, Jernhusen's confirmed green investments and assets totalled SEK 5 825 million.

## ALLOCATION OF GREEN NET PROCEEDS TO GREEN AND ENERGY-EFFICIENT BUILDINGS AND CLEAN TRANSPORTATION PROJECTS

Green Buildings & Clean Transportation projects and assets	Allocated net proceeds (SEKm)
Stockholm centralstation	689
Hotel Continental	752
Glasvasen	175
Fojajén	40
Freight terminal Malmö	85
Electrifying tracks and fecal waste management	4
<b>Sum of allocated net proceeds</b>	<b>1 744</b>

In accordance with the Green Bond Framework, the allocation of net proceeds for Green and Energy-Efficient Buildings; Clean Transportation; Transportation Infrastructure, Freight; Clean Transportation, and Transportation Infrastructure, Passenger, is to be reported per project or asset.

# KPI disclosure and projects

## Green and Energy-Efficient Buildings

The Green and Energy-Efficient Buildings category includes buildings that are developed, acquired or refurbished. This applies to public buildings (such as train stations) and other commercial buildings. To be included in this category, the building must hold, or if under construction, be working towards, an environmental certification.

Jernhusen currently applies the Swedish Green Building Council (SGBC) and BREEAM assessment methods of BREEAM SE and

Miljöbyggnad, with the objective that “All developed properties are to be environmentally classified or certified by 2020.” By improving and developing our properties so they can be environmentally classified or certified, we make sure that our properties are in line with modern standards. When we construct new buildings, we invest in long-term sustainable properties where environmental certification is a key part of the process.

### KPI DISCLOSURE GREEN AND ENERGY-EFFICIENT BUILDINGS

Building	Property	Construction year	Certification	MWh/year	kWh per m <sup>2</sup> (A <sub>temp</sub> )	CO <sub>2</sub> (tonnes)	CO <sub>2</sub> emissions kg/m <sup>2</sup>	Renewable energy (%)	Green agreements (% of signed contracts)	Visitors (stations)
Stockholm Central Station	Norrmalm 5:3 (part of)	1871	BREEAM In-use, Very Good	18 141	426	1 288	30.3	68%	26%	225 000
Hotel Continental Stockholm	Orgelpipan 6	2016	SGBC silver	1 923	100	137	7.1	46%	0 <sup>1)</sup>	N/A
Office building Glasvasen, Malmö	Loket 1	2015	BREEAM-SE, Excellent	521	75	46	6.6	43%	100%	N/A
Office building Foajén, Malmö <sup>2)</sup>	Rallaren 1	2019	BREEAM-SE, Excellent	421	38	37	3.4	N/A	100%	N/A

<sup>1)</sup> Green agreements were introduced after time of completion.

<sup>2)</sup> Under construction.

## CASE STOCKHOLM CENTRAL STATION

### BREEAM IN-USE, VERY GOOD

In 2017, a step towards the achievement of the sustainability goal of environmental certification was taken when Stockholm Central Station received a BREEAM In-Use certification.

Stockholm Central Station is more than 150 years old and Jernhusen has made large investments to create a sustainable property over time. The property received a BREEAM In-Use certification rating of Very Good and could therefore be included in the criteria for the Green Bond Framework.



## Energy efficiency

The optimisation of energy efficiency is a key component of Jernhusen’s strategic sustainability initiatives. Jernhusen is aiming to halve the use of purchased energy in our properties by 2030, using 2008 as the base year.

The achievement of this target requires dedicated efforts and projects focused on reducing our energy consumption. Examples include electrical installations, low energy

lighting, measurement technology, property management measures and much more. The direct costs are eligible for funding under the framework.

### Renewable energy

The objective to halve the percentage of purchased energy used by Jernhusen’s properties means not only that the properties

will become more energy-efficient, but also to generate renewable energy in our properties. This requires investments in renewable energy sources such as solar, wind or geothermal energy. This will reduce our climate impact, as well as the need to purchase energy. We monitor these projects by analysing the annual energy savings they can generate and reduce our greenhouse gas emissions.

### KPI DISCLOSURE ENERGY EFFICIENCY PROJECTS

Project	Building	Property	CO <sub>2</sub> reduction tonnes/year	Energy savings (MWh/year)
Energy savings, lighting Västerås	Tillberga Depot	Hubbo-Mälby 3:6	5.3	314
LED lighting, workshop Västerås	Västerås West Depot	Västerås 5:10	9.1	533
Electricity and Lighting, Hässleholm	Hässleholm Centralstation	Hässleholm 88:38	0.2	10
LED lighting, Gothenburg	Sävenäs Depot	Sävenäs 747:208	0.4	22

### KPI DISCLOSURE RENEWABLE ENERGY PROJECTS

Project	Building	Property	% of energy use	MWh/year	CO <sub>2</sub> reduction tonnes/year
Geothermal heating	Hagalund Depot	Järva 3:14	25.7	351	1.4

### CASE TILLBERGA DEPOT



#### LED LIGHTING PROJECT

Several energy efficiency projects were carried out during 2018, including a lighting project at the Tillberga Depot in Västerås. The installation of LED lighting is a step towards modernisation of the depot, which significantly decreases the property’s energy consumption. The project replaced all of the property’s workshop lighting with LED fittings, which is expected to generate annual energy savings of 314 000 kWh and annual CO<sub>2</sub> reductions of 5.3 tonnes.

### CASE HAGALUND DEPOT



#### GEOTHERMAL HEATING

One step towards the creation of more efficient energy solutions is to provide conditions for generating renewable energy on our properties. In 2018, we invested in a geothermal heating facility in the Hagalund train depot just north of Stockholm. The project has meant that the property can reduce the amount of energy it purchases by generating its own renewable energy, which reduces the environmental impact.

### Clean Transportation

Rail is a major mode of transport in Sweden, as well as a clean alternative with high capacity. Jernhusen aims to help reduce CO<sub>2</sub> emissions, which also increases safety and reduces congestion on Swedish roads, by doubling the intermodal volumes handled in Jernhusen's terminals over a period of ten years. Rail infrastructure services such as modern train depot areas, efficient intermodal freight terminals and safe and accessible station areas are crucial for rail being not only the climate-smart alternative for passengers and freight, but also a safe and efficient alternative.

The Clean Transportation category is divided into three sub-categories – Transportation Infrastructure, Freight; Transportation

Infrastructure, Passenger, and Public Transportation Accessibility. For investments in Transportation Infrastructure, Freight it includes projects that support infrastructure such as the development or expansion of intermodal freight terminals or other buildings, or related equipment and methods for increasing capacity.

For Transportation Infrastructure, Passenger projects relate to investments in, for example, the development and expansion of train depots for increased capacity. For the third category, Public Transportation Accessibility, investments includes bicycle parking, charging stations or other development projects.

### Pollution Prevention and Control

In the Pollution Prevention and Control category, there are three sub-categories: Soil Remediation, Removal of Harmful Substances and Waste Management. The first two categories include activities to remediate soil or removal of harmful materials on our properties in order to improve the environment. Waste management solutions involve creating conditions for improving and developing waste issues to reduce the amount of waste and increase recycling rates.

### KPI DISCLOSURE CLEAN TRANSPORTATION PROJECTS

Project	Building	Property	Improved capacity (units)	CO <sub>2</sub> reduction (tonnes) <sup>1)</sup>
New freight cranes	Malmö Freight terminal	Kirseberg 30:22	75% increase (140 000 units/year)	34 878

<sup>1)</sup> Indirect impact during 2018 by transferring freight transport from road to railway.

### CASE MALMÖ



#### FREIGHT CRANES IN MALMÖ

In 2018, Jernhusen's new freight cranes were inaugurated at the intermodal terminal in Malmö. These freight cranes have increased the capacity of the intermodal terminal by approximately 75 percent, enabling a shift from road to rail freight transportation. The strategic location of the Malmö Intermodal Terminal is perfect for cost and environmentally efficient transportation in Sweden and Europe. The crane parts were manufactured in three different countries, assembled in January 2018 and the installation took seven weeks. About 150 people were involved in the overall project. Each freight crane is 19 meters high, nearly 50 meters wide and weighs 400 tonnes.

### CASE GÄVLE



#### BIOTERIA CASE

One of the biggest problems with restaurant kitchens is FOG (fat, oil and grease). It sits on all surfaces and the one place that is most difficult to clean is fans – and ventilation systems. The most common procedure is to bring in chimney sweeps several times a year and to clean with various degreasing chemicals, which is usually both costly and environmentally hazardous. FOG also make it impossible to recover the heat energy in the air, which usually disappears straight up the chimney.

In Gävle Central Station, this year, we introduced a system with grease-eating strains of bacteria which is generating major environmental gains for our tenants. The bacteria strains are dissolved in a liquid that is sprayed into the ventilation system via hoses and pneumatics. The enzymes in the liquid disperse the FOG molecules, which are then consumed by the bacteria. All that is left is carbon dioxide and water. As well as eliminating the need for cleaning with chemicals, the fire risk is also considerably lower. Removing the grease from the warm air also makes it possible to recover the heat, which generates considerable energy savings.



## Auditor's Limited Assurance Report

To Jernhusen AB, Corporate identification number 556584-2027

### Introduction and Scope

We have been engaged by the Executive Management of Jernhusen AB ("Jernhusen") to undertake a limited assurance engagement of selected information in Jernhusen's Investor Report Green Bonds 2018 ("the Report").

The scope of our work was limited to assurance of page 2 in the report (including information on allocation of Green Bond net proceeds), together with the information on environmental certification of buildings in the pool of eligible assets as presented in the table on page 3, column "certification".

Our assurance does not extend to any other information in the Report. We have not reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts.

### Responsibilities of the Executive Management

The Executive Management is responsible for evaluating and selecting eligible assets, for the use and management of bond proceeds, and for preparing an Investor Report that is free of material misstatements, whether due to fraud or error, in accordance with applicable criteria. The criteria are relevant parts (section one, page 6-8) of the *Jernhusen Green Bond Framework* dated 2018-03-12 ("the Framework"), available on Jernhusen's website.

### Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained.

We have conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected information in the Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent towards Jernhusen in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by the Executive Management as described above. We consider these criteria suitable for the preparation of the Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, 15 Mars 2019

Öhrlings PricewaterhouseCoopers AB

  
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