

Green Bond Framework 2018

2018-03-12

Important Notice

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

Background

Jernhusen AB is a Swedish real estate company in the transport sector that is wholly owned by the Swedish State. In accordance with its statutes, Jernhusen should on a commercial basis take a leading role in the development of the Swedish transport sector in connection with the railway in order to support public transport and the transportation of goods by rail. Jernhusen owns, develops and manages the main railway stations, station areas, maintenance depots and freight terminals along the Swedish railway network.

The Swedish state’s ownership policy and guidelines for state-owned enterprises together with the company specific financial goals lay out the foundations for the operations of Jernhusen. The policy sets clear requirements for how Jernhusen should act as a role model in its efforts to achieve sustainable development. The board sets the company’s strategic sustainability goals which are reported on a quarterly basis and in the annual report. The Head of Sustainability is responsible for the strategic sustainability work while the daily sustainability work is carried out in each business unit.

Jernhusen works in accordance with the UN’s Global Compact, the UN’s Universal Declaration on Human Rights, the ILO’s Core Conventions and the OECD’s Guidelines for Multinational Enterprises. Jernhusen will continue to develop and improve upon our efforts based on these key initiatives and principles. The company reports in line with the Global Reporting Initiative G4 (GRI Standards as of the 2017 Financial Year) and UN’s Sustainable Development Goals guide us determining material aspects.

As a part of the Swedish infrastructure and with millions of people visiting its properties every week Jernhusen has unique possibilities to contribute to sustainable societal development. Through a network of properties and urban areas linked to the railway Jernhusen creates safe and sustainable properties accessible to everyone, which enable more people to travel by train. As proximity to the station is known to be of importance when people choose their way of travelling, Jernhusen develops areas close to stations in order to make it possible for more people to work and live near public transportation.

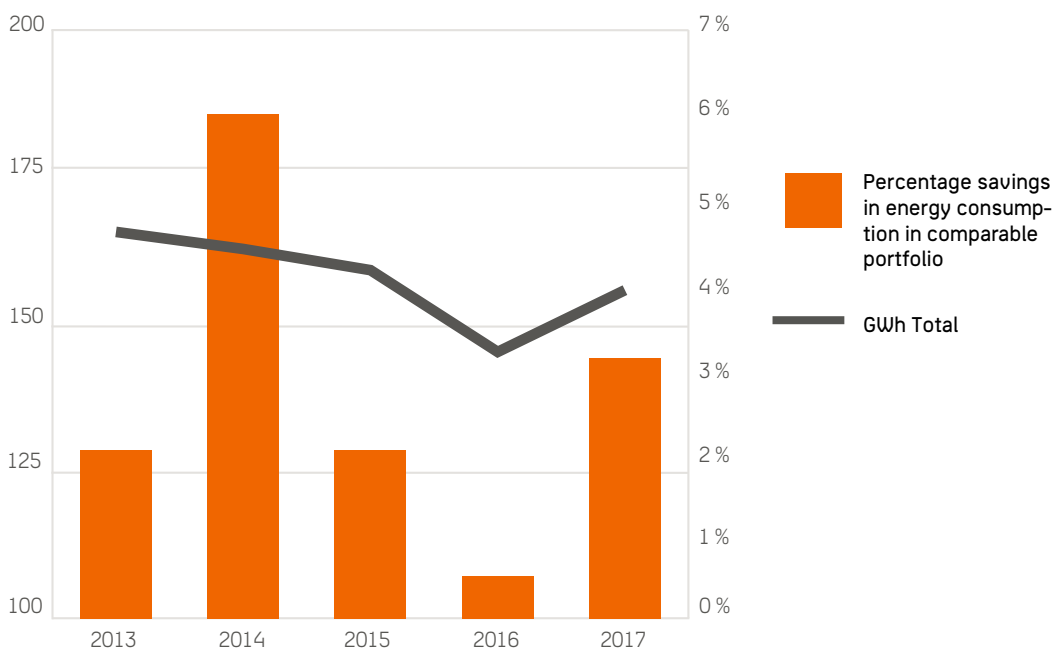
Jernhusen has a number of strategically located maintenance depot areas that offer train companies an efficient way to maintain, service and clean their trains, thereby allowing them to take new passengers every day. Jernhusen continuously modernises its depot portfolio whereby existing buildings and areas are renewed and new depots are built to increase capacity and thereby enable more modern trains to be maintained and serviced.

The network of freight terminal areas within Jernhusen’s portfolio provides companies and distributors with an environmentally friendly option for transporting their goods all the way to the city centres. Additionally, transporting goods by rail reduces traffic and consequentially the number of accidents. As an example, Jernhusen makes a difference for people and our environment by increasing terminal capacity by installing high capacity electric cranes as a substitute to loading and offloading with combustion engine reach stackers.

The sustainability work has been integrated into Jernhusen's daily operations and into its relationships with other organisations through making train stations safer, green leases, energy efficiency measures, soil remediation and the analysis of suppliers. Jernhusen's code of conduct sets high requirements for its suppliers regarding social and environmental sustainability. The code is signed by all suppliers and their actions are reviewed on a yearly basis.

Through the energy efficiency measures, energy consumption within the portfolio is gradually decreasing even though activity levels in Jernhusen's property portfolio are increasing.

The chart shows the total energy consumption trend at Jernhusen's properties (like for like) since 2012. Energy efficiency initiatives start with the energy inventory of the properties using Beloks Total methodology. Belok is a partnership between property owners and the Swedish Energy Agency which strive to increase know how in terms of energy efficiency. Additionally, Jernhusen aims to increase the share of renewable energy and, at present, all electricity used at Jernhusen's properties is renewable.



During 2013, the owner set more stringent requirements, whereby state-owned enterprises should implement sustainability in their business goals, strategies and operations. Jernhusen therefore decided that, using its vision, business plan and financial goals as a base, it would establish a new goal structure comprising strategic sustainability goals, operational goals and individual goals. The sustainability goals were implemented in all operations throughout Jernhusen.

At the end of 2016 the Jernhusen board decided on six new strategic sustainability goals in order to further showcase the importance of the sustainability effort. These goals are measured and revised in order to ensure progress. The goals include the areas where Jernhusen with its unique possibilities and the UN global compact, has the ability to make a difference and contribute to a more sustainable society.

SUSTAINABLE TRANSPORT

SUSTAINABLE REAL ESTATE

SUSTAINABLE BUSINESS

We make a difference ...

... AS A PART OF THE INFRA- STRUCTURE

Goal: Jernhusen will inspire more and new groups to travel by public transport through developing safe, accessible and enjoyable stations and station areas.

Metrics: 500,000 square meters gross area created in station area locations until 2030

Metrics: Satisfied passenger index (NRI) totalled over 75 and no station was under 70

Goal: Jernhusen will contribute to reduced carbon emissions, increased safety and reduced congestion on Swedish roads by doubling the volume of inter-modal consignments handled at Jernhusen terminals in the next ten years.

Metrics: 500,000 units handled at Jernhusen's freight terminals in 2026

... AS A PROPERTY OWNER

Goal: Jernhusen will halve the use of purchased energy at our properties by the year 2030 compared with 2008.

Metrics: The average number of kWh of purchased energy per square metre

Goal: All built properties will be environmentally classified or certified by 2020 and have no hazardous soil contamination by 2025.

Metrics: number of classified/certified properties compared with the total number of properties

Metrics: No soil contaminations with a negative impact on humans and the environment by 2025

... AS A LANDLORD, PURCHASER AND EMPLOYER

Goal: Jernhusen's purchases will be quality assured and Jernhusen will enter into leases that promote collaboration with tenants in terms of societal and environmental sustainability.

Metrics: 80 percent of Jernhusen's purchasing volume should be quality assured for sustainability through supplier follow-up in 2018

Metrics: by 2018 all new and renegotiated leases should be green leases

Goal: Jernhusen should be the most attractive employer in the real estate industry by 2020.

Metrics: Top three in AVI (Nyckeltalsinstitutets Attraktiv Arbetsgivarindex)

Metrics: Result 1.0 above average in eNPS (Employer Net Promoter Score)

Additional information about Jernhusen and the sustainability efforts is available from the website (www.jernhusen.se ↗).

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

Jernhusen has worked together with Danske Bank and Handelsbanken to develop the Green Bond Framework. Sustainalytics has provided a second opinion on the Green Terms, which is publicly available from Jernhusen's website (www.jernhusen.se ↗).

Methodology and Scope

Eligible Projects and Assets are green assets identified within Jernhusens'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 utilising low carbon intensive technology and environmentally sound solutions.
2. Adaptation (A): Adaptation investments to better withstand the effects brought on by climate change, to improve the resilience to climate change and to expected changes in the micro-climate and local environment, for instance, increased rainfall, heightened risk of flooding or rising sea levels.
3. Environment and eco-systems (E): Support environmental investments with a positive environmental impact other than the direct mitigation of climate change (maximum 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 25 September 2015. The company's sustainability goals and agenda have been mapped against the SDGs and the following graphic on the left illustrates which goals Jernhusen mainly supports and works towards, while the graphic on the right illustrate the goals that are mainly targeted by the Use of Proceeds in this Framework. Further information about which SDGs are linked to specific Use of Proceeds is provided later in this document.

Jernhusen supports and works towards the following SDGs:



This Framework mainly targets the following SDGs:



The Green Terms

1. Eligible Projects and Assets (Use of Proceeds)

The net proceeds from the issuance of Green Bonds will be used by Jernhusen to, in whole or in part, finance a selected pool of “Eligible Projects and Assets” that promote environmental matters in different areas. The net proceeds will be used exclusively on projects and assets that comply with the categories and criteria 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 defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. The long-term ambition is to allocate the majority of the net proceeds to new projects and assets (defined as projects and assets financed within 12 months from completion). Initially, the majority of the net proceeds will be allocated to Existing Properties no older than three years. The proportion of financing to new projects and assets will be disclosed in the annual reporting.

Use of Proceeds Categories

Green and Energy-Efficient Buildings (M)

Investments in buildings that meet the criteria of Green Buildings or Major Renovation, as defined below.

Green Buildings

Development, acquisition or otherwise completed public (such as train stations), commercial or residential 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 below defined environmental building certification schemes at the defined threshold level or better:

	NEW PROPERTIES	EXISTING PROPERTIES
ENVIRONMENTAL BUILDING CERTIFICATION	a) Miljöbyggnad "Gold" b) BREEAM-SE "Excellent" or c) LEED "Gold" Buildings under construction or completed less than one year before allocation of net proceeds.	a) Miljöbyggnad "Silver" b) BREEAM-SE "Very Good, or c) LEED "Gold" or d) BREEAM in-use "Very Good" Buildings completed more than one year before allocation of net proceeds. An in-use certification is required if the building is older than six years at the time of allocation of net proceeds.

In line with the new strategic sustainability goals (from the end of 2016), Jernhusen has an ambition that all new buildings, within this Green Buildings category, will achieve a certification level of Miljöbyggnad “Gold” or equivalent.



Energy Efficiency (M)

Investments in the existing portfolio of properties that target a lower overall energy use and an improved environmental footprint. This could include, for instance, the installation of heat pumps, energy-efficient lighting, IT technology for monitoring, efficient management, communication and remote operation, energy-efficient ventilation systems or improvements in thermal insulation. Only directly associated expenditure (for example, material, and installation and labour costs) is eligible for financing. Jernhusen will ensure the following:

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

Clean Transportation (M)

Railways are one of the major transport modes, contributing as a clean transportation alternative with high capacity. Railway infrastructure services such as modern train depot areas, efficient intermodal freight terminal areas as well as safe and accessible station areas are essential in making the railway not only the clean alternative for passengers and freight, but also the efficient and safe alternative. Transportation would otherwise be transferred to airplanes with higher greenhouse gas emissions or to road transport with the implication of traffic congestion, vehicle emissions and traffic accidents.

Transportation Infrastructure, Freight

New investments in freight railway infrastructure and supportive infrastructure, such as the construction, expansion, improvement and/or modernization of intermodal freight terminal areas and buildings as well as related equipment and technology, to achieve increased or improved capacity.

Transportation Infrastructure, Passenger

New investments in passenger railway infrastructure and supportive infrastructure, such as the construction, expansion, improvement and/or modernization of passenger train depot areas and buildings, as well as related equipment and technology, to increase public mass transportation.

For investments in new buildings or expansion of existing buildings on train depot areas, Jernhusen has developed a way of assessing these investments through an internal classification system based on the Miljöbyggnad building certification scheme. This in order to enable a classification of buildings that could not otherwise, to our knowledge, be certified with any official certification schemes. In order for these types of investments to qualify within this category, it must obtain at least an internal classification level equivalent to “Silver” in the Miljöbyggnad certification Scheme.

Public Transportation Accessibility

New investments that increase the accessibility and use of public mass transportation and low carbon alternatives, such as charging stations for electric vehicles, bicycle parking or other development of station areas.



Årsta Freight Terminal in Stockholm.



Hagalund Depot in Stockholm.

Pollution Prevention and Control (M/E)

Investments that limit, remove or treat the presence of harmful substances and/or greenhouse gases, such as:

Soil Remediation

Investments in soil remediation, meaning the removal of harmful substances in the soil from mainly human activity in the past. Such investments require the conduct of a soil survey and emphasis is placed on the reuse of the material (with destruction or deposit as a last option).

Removal of Harmful Substances

Investments in the removal and replacement of harmful substances in products, assets or projects, such as asbestos, PCBs, mould, chemicals or metals, that have been linked to negative effects on biodiversity, human health and/or the environment.

Waste Management

Investments in waste management, such as collection, prevention, reduction or recycling of waste, as well as in enabling infrastructure and facilities.

Renewable Energy (M)

Investments in renewable energy, such as solar power, wind power or geothermal energy, either as part of an existing asset or as a stand-alone investment.

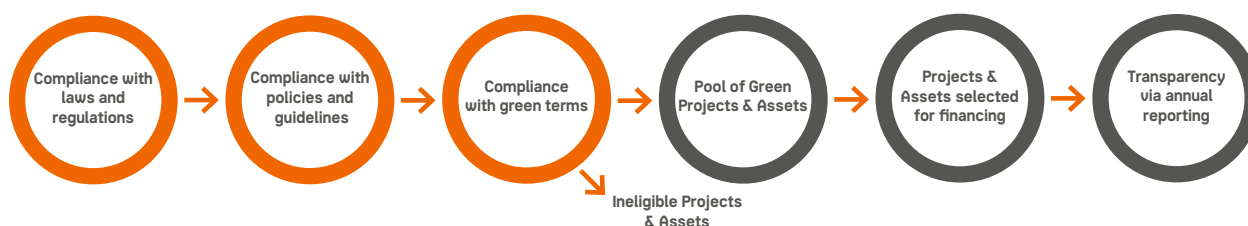


2. Process for Project Evaluation and Selection

A group with representatives from Jernhusen's business units will identify and nominate projects and assets within the eligible categories to a business council consisting of the Senior Management at Jernhusen including CEO, CFO and Head of Sustainability among others. The council will evaluate the nominated projects and assets, and ensure compliance with the Green Terms. A consensus decision by the council is required to approve the Eligible Projects and Assets before any allocation of net proceeds. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Jernhusen. Decisions by the council will be documented.

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

Process overview



3. Management of Proceeds

The net proceeds of any issue under the Green Bond Framework will be credited to a dedicated account (the “Green Account”). Funds may be deducted from the Green Account 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 either reallocated to projects and assets that meet the Green Terms or returned to the Green Account.

The Green Account ensures strict monitoring and tracking of the Use of Proceeds. The Treasury Department is responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects and Assets and for keeping records 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 financing such projects or assets.

If the Green Account has a positive balance the unallocated funds may be invested in short-term interest bearing securities, while pending investment in Eligible Projects and Assets. Such investments are permitted in Swedish government bills (including related entities), Swedish municipal notes (including related entities) or commercial paper issued by a Nordic bank (minimum A-flat rating from Standard & Poor’s or an equivalent rating from Moody’s or Fitch).

The allocation of proceeds will be verified by a third party (see “Annual Review” under Reporting and Transparency).

4. Reporting and Transparency

Jernhusen will publish a yearly report on its external website (www.jernhusen.se) that will detail the allocation of green net proceeds and adherence to the Green Terms (the “Reporting”). The first such Reporting is expected to take place in March 2019 and will be available in English. Jernhusen will also publish a summary report in its annual financial and sustainability report in Swedish.

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

Allocation disclosure

- For **Green and Energy-Efficient Buildings, Clean Transportation: Transportation Infrastructure, Freight and Clean Transportation: Transportation Infrastructure, passenger**; the Reporting will disclose the sum of allocated net proceeds to each project or asset, the aggregate market value (or investment cost, as applicable) and the sum of other external debt financing such projects and assets (if applicable).
- For **Energy Efficiency, Clean Transportation: Public Transportation Accessibility, Pollution Prevention and Control and Renewable Energy**; the total allocation of green net proceeds to each category will be disclosed.
- The sum of outstanding Green Bonds and the Green Account balance (including any short term investments).
- The proportion of net proceeds allocated to new projects (defined as projects and assets financed within 12 months from completion).
- All data shall be from the last of December in the previous year.

The Reporting will also contain a disclosure of a selected set of asset level indicators and measurements. The data will be provided in a table format and disclose, where and when available, the following indicators and measurements:

Estimates and in-use data

If an impact metric is not yet available, for instance the energy use of a Green and Energy-Efficient Building that is under construction but not yet operational, Jernhusen will strive to provide estimates of future performance levels once the project/asset is operational.

Green and Energy-Efficient Buildings

- i. Environmental certification (if applicable).
- ii. Energy consumption disclosed by absolute consumption (MWh) and intensity (kWh per square metre) A_{temp} .
- iii. Calculated carbon footprint disclosed by absolute emissions (tonnes) and intensity (kilograms per square metre). The greenhouse gas emissions are monitored annually by Jernhusen.
- iv. The percentage of total energy use supplied by renewable energy.
- v. The share (%) of green leases (based on total let area) signed with tenants.
- vi. The number of annual visitor (station buildings).

Energy Efficiency

Each yearly report will include at least one example (if applicable) of Energy Efficiency that has been financed with green net proceeds. Given the number of project types that qualify under the category the KPIs will not be disclosed in the Framework. Jernhusen will highlight energy and carbon savings, where applicable, as relevant performance metrics.

- i. Carbon savings (aggregated, tonnes per year)
- ii. Energy savings (aggregated, MWh per year)

Renewable Energy

- i. For a renewable energy installation in a real estate asset; the percentage of the property's total energy use supplied by the installation, the MWh/year and the estimated yearly greenhouse gas savings will be disclosed.
- ii. For an investment in a stand-alone renewable energy project; the MWh/year and the estimated yearly greenhouse gas savings will be disclosed.

Clean Transportation

Each yearly report will include an example of a Clean Transportation investment that has been financed with green net proceeds (if such a project has been financed). Jernhusen intends, to our capability, use the KPI's listed below as relevant performance metrics.

Transportation Infrastructure, Freight

- i. Increased or improved freight terminal capacity, for instance the increased number and/or size/weight of units handled.
- ii. Efficiency improvements, where applicable less time spent per unit handled or energy savings (aggregated, MWh per year).
- iii. Carbon savings (aggregated, tonnes per year) due to the installed technology (direct), by transferring freight transport from road to railway (indirect) or both (as applicable).

Transportation Infrastructure, Passenger

- i. Increased or improved passenger train depot capacity, for instance the increased size or number of trains handled.
- ii. Statement of internal environmental certification (if applicable).

Public Transportation Accessibility

- i. Number of units installed or new serving possibilities, or area (square meters) of installed capacity.

Pollution Prevention and Control

For pollution prevention and control the aggregated values of underlying projects will be disclosed.

Soil Remediation

- i. Type of harmful substances removed.
- ii. Area of remediated land (square meters).
- iii. Quantity of remediated soil (tonnes).

Removal of Harmful Substances

- i. Type of harmful substances removed.
- ii. Quantities of harmful substances removed, where measurable (tonnes or kilograms, as applicable).

Waste Management

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). Given the number of project types that qualify under the category the KPIs will not be disclosed beforehand in the framework. Jernhusen will showcase a description of the investment, as well as the expected impact on waste volumes and the ability to recycle and reuse waste as relevant information metrics.

Third-Party Annual Review

The auditor of Jernhusen, or a similar third party appointed by Jernhusen 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 Jernhusen has communicated in the Reporting and that the Green Buildings comply with the environmental certification criteria described in the Green Terms. The conclusions will be provided in a signed statement, which will be published on Jernhusen's website in conjunction with the publication of the Reporting.

Dedicated Website

Jernhusen will provide a dedicated web page at its corporate website (www.jernhusen.se) where investors can find information regarding Jernhusen's Green Bonds, such as the Green Bond Framework, the Second Opinion and future Reporting.

Definitions

Miljöbyggnad Silver — 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 Very Good — the rating Very Good 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.

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 — 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.

BBR — 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.

External Consultant — a third party with relevant expertise contracted by Jernhusen to perform an energy savings analysis on a project/asset.

Policy documents that govern Jernhusen's Environmental and Sustainability work and relevant information to investors

1. The State's Ownership Policy and Guidelines for State-owned Enterprises (Swedish)	Public Link ↗
2. Sustainability Policy (Swedish)	Public Link ↗
3. Jernhusen's sustainability brochure (Swedish)	Public Link ↗
4. Instruction for environmental issues when investing	Non-public
5. Environmental management system	Non-public
6. Guideline Sustainable Entrepreneurship	Non-public
7. Instruction Green lease	Non-public
8. Instruction environmental issues when purchasing	Non-public
9. Instructions for contaminated soil	Non-public
10. Instructions for environmental issues in construction projects	Non-public
11. Instructions for LCC and LCA in construction projects	Non-public
12. Instructions for the handling of construction waste	Non-public
13. Instructions for handling water and energy meters	Non-public