

October 2024

# Green Bond Framework



# Contents

This is Willhem	3
Sustainability at Willhem	4
1. Willhem's sustainability initiatives	4
2. Willhem's climate goals	5
3. Sustainable governance	7
Examples of projects that will be financed under the framework	7
Green Bond Framework	8
Rationale for developing a Green Bond Framework and issuing Green Bonds	8
Green Terms	9
1. Use of Proceeds	9
2. Process for Project Evaluation and Selection	11
3. Management of Proceeds	12
4. Reporting	12
5. External Review	14



## This is Willhem

Willhem is a progressive residential company that owns, manages, and develops attractive, sustainable residential properties in expanding regions throughout Sweden.

Our business operations are guided by the needs and expectations of our customers, owners, and society at large. With nearly 30,000 apartments<sup>1</sup>, we have a strong focus on providing high-quality property management in dialogue with local communities, local area groups<sup>2</sup> and tenants.

Sustainability is a fundamental principle that underpins every aspect of our business and is seamlessly integrated into our daily operations.

The results of our work are homes that are economically, socially, and environmentally sustainable, creating a long-term safe and good return to our owner, Första AP-Fonden.



<sup>1</sup> [https://www.willhem.se/globalassets/finanssiella-rapporter/willhem\\_ahr\\_2023.pdf](https://www.willhem.se/globalassets/finanssiella-rapporter/willhem_ahr_2023.pdf)

<sup>2</sup> <https://www.willhem.se/Om-Willhem/Pressrum/Nyheter/willhem-starker-samarbetet-med-hyresgasterna-i-linkoping-genom-omradesgrupper/>

# Sustainability at Willhem

## 1. Willhem’s sustainability initiatives

The platform for our sustainability agenda rests on ten identified sustainability areas, each contributing to one or more of the UN’s 17 Sustainable Development Goals. Long-term economic

value creation is conditional upon operations that are environmentally and socially sustainable, with each sustainability area clearly linked to one of our five overall perspectives. Each area is also broken down into one or more

measurable objectives that ensure that our sustainability practices are fully integrated into day-to-day operations.



### Finances

Willhem’s target is to provide a stable total return that is higher than other privately-owned residential real estate companies.

**Sustainability areas**  
Good and stable yield



### Customers

Willhem is to have customers that are satisfied and loyal, who choose us and recommend us to others because we provide attractive and secure residential and offer good service.

**Sustainability areas**  
Satisfied customers  
Attractive living environments  
Increased environmental commitment among customers



### Property

Willhem’s property portfolio is to be sustainable in the long term, and comprise well-maintained and attractive residential properties in carefully chosen growth regions in Sweden.

**Sustainability areas**  
Healthy functional homes  
Life cycle perspective



### Employees

Willhem is to be the most attractive employer in the residential property sector, our employees recommend us to others.

**Sustainability areas**  
Responsible action  
Committed employees



### Operating environment

Willhem is to be seen as an innovative and reliable company with a long-term perspective that contributes to sustainable development.

**Sustainability areas**  
Reduced emissions of greenhouse gases  
Active part in local communities



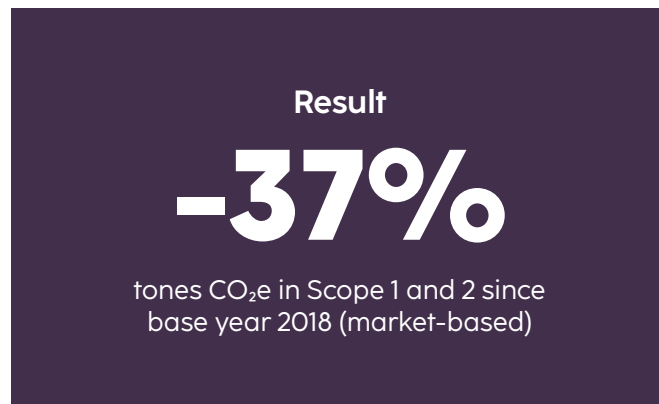
# Sustainability at Willhem

## 2. Willhem's climate goals

Since 2021, Willhem's climate targets have been approved by the Science Based Targets initiative (SBTi). These goals mean that by 2030, Willhem will reduce emissions in Scope 1 and 2 by 50 per cent compared to the baseline year 2018 (location-based). Besides adhering to SBTi standards, Willhem has also established their own climate targets for 2030, which include:

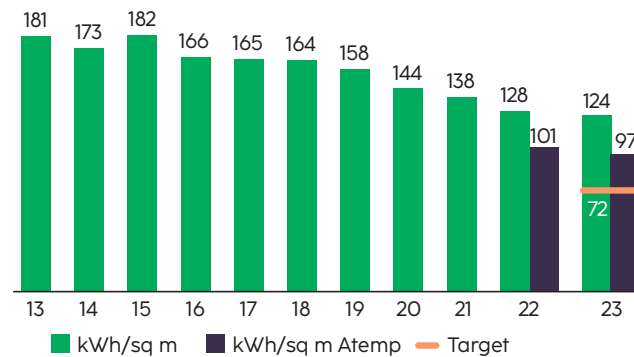
- Achieving net zero emissions in Scope 1 and Scope 2 (market-based)
- Reducing emissions in Scope 3 by 50 per cent compared to 2018

To meet these climate targets, Willhem has developed a climate roadmap detailing the strategies to achieve the targets. The roadmap addresses the climate impact across the entire value chain, encompassing both the emissions from Willhem's own operations and those from external sources that Willhem can influence. It outlines main objectives and specific sub-goals.



## Energy efficiency

Since 2012, Willhem has pursued a long-term energy goal: purchased energy for properties should not exceed 92 kWh/sq m of lettable area. In 2022, additional targets were established for kWh/sq m Atemp, with a long-term target set at 72 kWh/sq m Atemp.



Willhem's energy initiatives include investing in property improvements to enhance energy efficiency and maintaining an ongoing administrative effort to reduce energy consumption. Each property has its own energy target based on historical energy usage, planned projects and opportunities for optimizing energy consumption. Digitalisation and property technology are important tools in this process, enhancing both energy efficiency and overall building performance. By integrating the properties' technical systems and installing temperature gauges in all apartments, we employ a proactive approach to optimize operations, reduce energy use, and

improve indoor climate.

One of the largest sources of greenhouse gas emissions for Willhem is the energy use in our buildings. Therefore, we focus on making energy use more efficient through measures on climate shells and installations, as well as investing in facilities for renewable energy production, for example solar cells. Willhem has a customer offer to sign up for renewable electricity to also try to make it easier for tenants to make sustainable choices.

The company itself has significant control over the majority of Willhem's energy consumption, although customer behaviour also plays a substantial role. Certain aspects can be influenced through financial incentives, such as Individual Metering and Billing (IMD) for water and electricity. Others may involve changing behaviours through information, investments, or collaborations. This could include conserving both hot and cold water, optimizing the use of laundry facilities, or promoting advantageous green electricity contracts.

## Sustainable new development and renovation

Buildings contribute substantially to climate change through greenhouse gas emissions. To help mitigate this, Willhem has established a strategy focused on energy use and environmental certification of buildings. Willhem's ambition for our own new production is to achieve a Primary Energy Demand (PED) that is 20 per

# Sustainability at Willhem

cent below the threshold established for nearly zero-energy building (NZEB) requirements by the applicable national building code (BBR) and ensure that buildings are constructed to meet a Miljöbyggnad Silver certification. Aligned with our climate objectives, we have also established intensity goals to reduce our greenhouse gas emissions and climate impact from property development.

For apartment renovations, Willhem has implemented a strategy known as *Willhemlyftet*, where an apartment is renovated efficiently and carefully between tenants, that is, when a tenant moves out and before a new one moves in, where conservation of resources is prioritised. In partnership with one of our suppliers, we have also initiated a collaborative project aimed at salvaging usable products for reuse in the recycling market and within Willhem's own operations. This initiative is part of our efforts towards achieving the goal of having over 30 percent of demolition material re-used by 2030.

## Clean transportation

Our tenants use of fossil-fuel cars represents a significant source of greenhouse gas emissions within Willhem's value chain. Therefore, in

acquisitions and new developments, it is crucial to ensure convenient access to public transportation. Additionally, Willhem actively and strategically collaborates with tenants, property managers, and area supervisors to address and fulfil tenant needs for electric vehicle charging. Where demand exists in new developments, we also offer additional mobility solutions, such as bike-sharing programs.

## Climate adaptation

Willhem has developed a strategy to anticipate and address potential future climate changes, aligning with the EU Taxonomy's criteria on climate scenarios and climate risks. Willhem has mapped the exposure of the property portfolio to climate risks, including torrential rain, flooding, and landslides. For buildings with an assessed high exposure, Willhem will continuously implement planning and mitigation measures to enhance properties' resistance to extreme weather events.



# Sustainability at Willhem

## 3. Sustainable governance

Willhem is to act responsibly and with respect to customers and its surroundings. Support and guidance are offered in various Codes of Con-

ducts, guidelines, and policies. These include Global Compact ten principles, our core values, and our Policy for Sustainable Development. Read more about our policies on our website.

### Examples of projects what will be financed under the framework



#### **Kvibergs Kaserner, Göteborg**

- New construction on acquired development rights
- 50 apartments
- Completion Q4 2024
- Certified Miljöbyggnad Silver



#### **Krusbäret, Halmstad**

- Infill development on own land
- 165 apartments
- Completion Q2 2025
- Certified Miljöbyggnad Silver

# Green Bond Framework

## Rationale for developing a Green Bond Framework and issuing Green Bonds

Willhem established its first Green Bond Framework in 2017 with the aim of financing properties and projects that supports sustainable development. The development and management of properties have a significant climate impact, primarily due to the material and energy usage<sup>3</sup>. Buildings account for about 40 percent of Sweden's total energy usage and contribute to over a fifth of Sweden's greenhouse gas emissions<sup>4</sup>. Green financing allocated to sustainable properties and projects is, therefore, a valuable tool to minimize our negative impact on climate. Willhem's goal is to gradually increase our share of green financing.

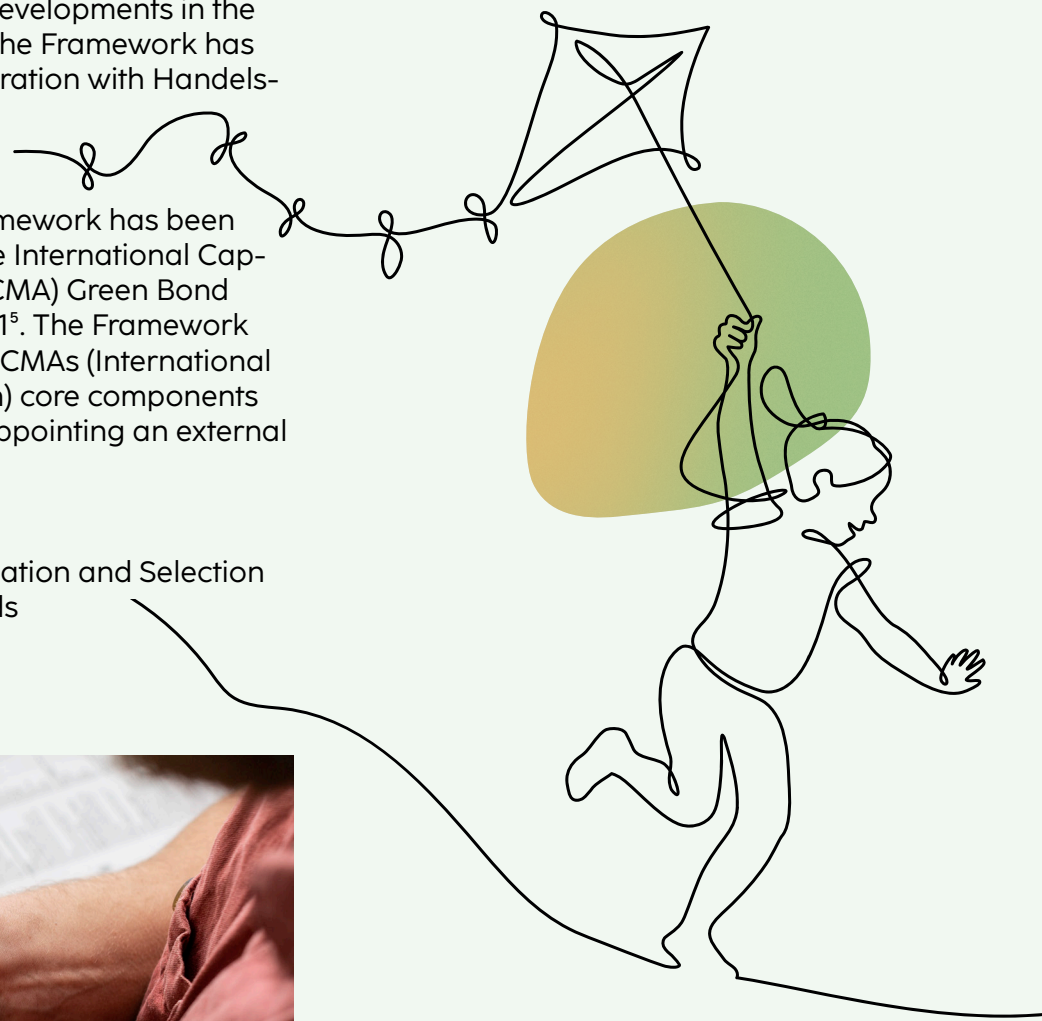
This updated Green Bond Framework (the "Framework") has been developed to reflect Willhem sustainability strategy and has taken the EU Taxonomy technical screening criteria for substantial contribution to climate change mitigation into consideration. With the aim of

complying with best market practices, Willhem intend to update this Framework from time to time as needed to reflect developments in the sustainable debt market. The Framework has been developed in collaboration with Handelsbanken.

## Green Terms

Willhem's Green Bond Framework has been developed to align with the International Capital Market Associations (ICMA) Green Bond Principles published in 2021<sup>5</sup>. The Framework is structured according to ICMA's (International Capital Market Association) core components and recommendation of appointing an external reviewer.

1. Use of proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Verification



# Green Terms

## 1. Use of Proceeds

Willhem will use an amount equivalent to the net proceeds from issued Green Bonds to fully or partly finance or refinance eligible Green Projects that complies with the categories and criteria below. The eligible Green Projects have been selected based on Willhem's sustainability strategy and business model and supports the

transition to low-carbon, climate resilient and sustainable economies. Eligible Green Projects in this Framework may be in the form of fixed assets, capital expenditures and operational expenditures. In the case Willhem finance operational expenditures only expenditures up to three years backward looking from the time of issuance will qualify. New financing is defined

as financing of eligible Green Projects finalised within the reporting year. The combined allocated amount to a specific Green Project, by one or several sources of financing with specified use of proceeds, may not exceed its value. Willhem operates in the Swedish market, the net proceeds will therefore be used exclusively to finance or refinance Green Projects in Sweden.

Green Projects (and applicable EU Taxonomy activities)	Eligibility Criteria	Contribution to SDGs and EU Objectives
<p><b>Green Buildings</b></p> <p>Applicable EU Taxonomy activities: 7.1, 7.2, 7.7</p>	<p><b>New buildings</b> built after 31 December 2020 must comply with all the following criteria to be eligible:</p> <ul style="list-style-type: none"> <li>· Primary Energy Demand (PED) is or will be, at least 20% lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures and</li> <li>· The building has or will receive an environmental certification in any of the following building certification schemes at the defined threshold or better or a building certification assessed to be equivalent:               <ul style="list-style-type: none"> <li>o BREEAM "Very good"</li> <li>o BREEAM In-Use "Very good"</li> <li>o LEED "Gold"</li> <li>o Miljöbyggnad "Silver"</li> <li>o Miljöbyggnad iDrift "Silver"</li> <li>o The Nordic Swan Ecolabel</li> </ul> </li> </ul> <p><b>Renovation of a building</b><sup>6</sup> must comply with the following criteria to be eligible:</p> <ul style="list-style-type: none"> <li>· The renovation leads to an overall reduction in Primary Energy Demand of at least 30% or meets the applicable requirements for major renovations<sup>7</sup></li> </ul> <p><b>Existing buildings</b> built before 31 December 2020 must comply with one of the following criteria:</p> <ul style="list-style-type: none"> <li>· The building is within the top 15% of the national or regional buildings stock<sup>8</sup></li> <li>· The building demonstrates an EPC (Energy Performance Certificate) with class A or B</li> <li>· The building has an environmental certification in any of the following building certification schemes at the defined threshold or better or a building certification assessed to be equivalent:               <ul style="list-style-type: none"> <li>o BREEAM "Very good"<sup>9</sup></li> </ul> </li> </ul>	<p>Climate change mitigation</p> <p>SDGs 7,11, 12,13</p>

<sup>6</sup> A renovated building that meets the criteria for Existing Buildings as outlined in this Framework can be classified as an eligible Green Project in its entirety. However, if the building does not meet these criteria after renovation, only the costs associated with the renovation measures can be financed.

<sup>7</sup> As stated in directive 2010/31/EU, a 'major renovation' means the renovation of a building where: (a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land upon which the building is situated; or (b) more than 25% of the surface of the building envelope undergoes renovation.

<sup>8</sup> Willhem will reference an external benchmark when determining the top 15%. Such a benchmark could be e.g. guidance by national governments or a specialist study. The top 15% PED applicable under this Framework will be updated continuously.

<sup>9</sup> Please note that the energy performance of the buildings financed based on BREEAM "Very good" or BREEAM in-use "Very good" will score enough in the Energy Performance Index to fulfill the requirements of BREEAM "Excellent".

	<ul style="list-style-type: none"> <li>o BREEAM In-Use “Very good”</li> <li>o LEED “Gold”</li> <li>o Miljöbyggnad “Silver”</li> <li>o Miljöbyggnad iDrift “Silver”</li> <li>o The Nordic Swan Ecolabel</li> </ul> <p>· The building achieves a Primary Energy Demand (PED) per square meter not exceeding the targets set out below:</p> <table border="1"> <thead> <tr> <th>Construction year</th> <th>Primary Energy Demand</th> </tr> </thead> <tbody> <tr> <td>From 2015</td> <td>75 kWh/sq m</td> </tr> <tr> <td>2005 - 2014</td> <td>90 kWh/sq m</td> </tr> <tr> <td>1971 - 2004</td> <td>95 kWh/sq m</td> </tr> <tr> <td>Before 1971</td> <td>105 kWh/sq m</td> </tr> </tbody> </table>	Construction year	Primary Energy Demand	From 2015	75 kWh/sq m	2005 - 2014	90 kWh/sq m	1971 - 2004	95 kWh/sq m	Before 1971	105 kWh/sq m	
Construction year	Primary Energy Demand											
From 2015	75 kWh/sq m											
2005 - 2014	90 kWh/sq m											
1971 - 2004	95 kWh/sq m											
Before 1971	105 kWh/sq m											
<b>Renewable Energy</b> Applicable EU Taxonomy activities: 7.6	Renewable energy production facilities for renewable energy production, along with supporting infrastructure, technologies, and solutions, including those derived from the following renewable sources: Wind power, solar energy (photovoltaic and solar thermal heating), as well as related infrastructure investments for example grid connections, electric substations, or networks.	Climate change mitigation SDGs: 7,8,9,13										
<b>Clean Transportation</b> Applicable EU Taxonomy activities: 7.4	Supportive infrastructure such as charging stations for electric vehicles, bicycle garages, pedestrian walkways, bicycle lanes or other investments that support and emphasize the use of clean transportation solutions.	Climate change mitigation SDGs: 11,13										
<b>Energy Efficiency</b> Applicable EU Taxonomy activities: 7.3, 7.5	Energy retrofits that target a lower overall energy use and an improved environmental footprint. This could include, improving the climate shell with add on insulation, installation of geothermal (where life-cycle GHG emissions are lower than 100g CO <sub>2</sub> e/kWh), energy efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows or an upgraded ventilation system. This could also include energy storage (including batteries, hydrogen storage and thermal energy storage). Only directly associated expenditure (e.g. material, installation, and labour) is eligible for financing. Willhem will ascertain the following: <ol style="list-style-type: none"> <li>a) High estimated energy savings in the targeted area (minimum 20%)</li> <li>b) Minimize long term negative climate impact and potential rebound effects.</li> <li>c) Minimal negative climate impact from the technology used</li> </ol>	Climate change mitigation SDGs: 7,8,9,13										



## 2. Process for Project Evaluation and Selection

The evaluation and selection process for eligible Green Projects is a key process in ensuring that the proceeds from Green Bonds are allocated to projects and activities which meet the criteria in the Framework.

Willhem has formed a Green Finance Committee (GFC) to evaluate and select projects that meet the eligibility criteria outlined in this Framework. The GFC consists of members from Willhem's finance and sustainability departments. The committee will evaluate the resilience and environmental impact of eligible Green Projects and potential lock-in and rebound effects. Eligible Green Projects will be selected in consensus by the finance and sustainability departments. The Committee meets at least annually, and more frequently if necessary and keep minutes of its deliberations.

### The Green Finance Committee is responsible for:

1. Assessing the compliance of proposed projects with the eligibility criteria detailed in the Use of Proceeds section above.
2. Ensuring that the pool of eligible Green Projects aligns with the categories and criteria specified in the Use of Proceeds section, including life-cycle considerations, potential rebound effects, and resilience factors.
3. Assessing the social and environmental risks associated with the proposed eligible Green Projects. This evaluation will be based on Willhem's internal policies and guidelines, such as the Sustainability Policy and Code of Conduct.
4. Ensuring the pool of eligible Green Projects is in line with national laws, regulations as well as Willhem's internal policies.
5. Replacing assets that no longer meet the eligibility criteria (e.g. following divestment, liquidation, etc.)

6. On a best-effort basis, reviewing and updating the content of the Green Bond Framework and oversee any forthcoming revisions to accurately reflect relevant changes in the company's corporate strategy, technological advancements, and market developments. (e.g. the introduction of the European Green Bond Standard)
7. Ensuring that the net proceeds will not be allocated to the exclusion criteria described below.

### Exclusion criteria

Proceeds under this Framework will not be allocated to fossil-based 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.



### 3. Management of Proceeds

The net proceeds from Green Bonds will be managed in accordance with a portfolio approach. Willhem will utilize a Green Register to allocate, track, and monitor funds, to ensure that an amount equal to the net proceeds from Green Bonds are exclusively dedicated to supporting the financing of eligible Green Projects.

The aggregate allocated sum to a particular eligible Green Project, funded by one or several sources of financing with specified use of proceeds, shall not exceed its value. Funds may be reallocated to other eligible Green Project during the term of any Green Financing (unless restricted by the terms in any loan documentation). If the total outstanding Green Bonds exceeds the value of the eligible Green Projects in the Green Register, the unallocated amount will be placed in the liquidity reserves and managed as such, while adhering to the exclusion criteria listed under the process for project evaluation and selection section. Willhem intends to allocate all the net proceeds as soon as possible but at the latest within 36 months of issuance. In the event a financed eligible Green Project no longer meets the eligibility criteria stipulated within this Framework, it shall be delisted from the Green Register. The Green Register will form the basis for the Green Bond Investor Report.

### 4. Reporting

To ensure full transparency regarding the use of proceeds and environmental impacts to market stakeholders, Willhem will publish an annual Green Bond Investor Report as part of its Annual Report. The reporting will provide detailed

information on the allocation and impact of net proceeds and adherence to the Green Terms (the “Reporting”). Willhem will continue to publish this annual report as long as there are outstanding green bonds under this Framework.

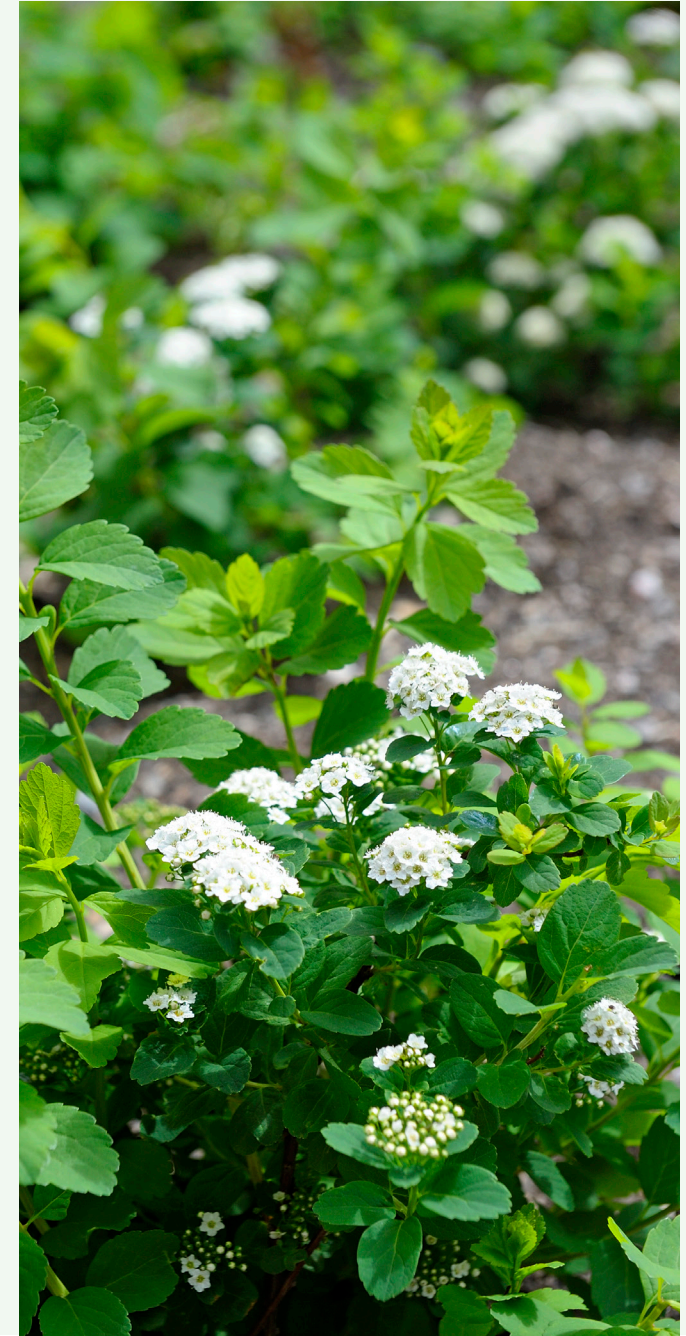
#### Allocation Disclosure

The allocation reporting will include following:

- A description of eligible Green Projects to which net proceeds have been allocated
- A description of outstanding green bonds and the total nominal amounts outstanding
- Information on the share of new financing and refinancing
- The proportion of net proceeds allocated per eligible Green Project category and geographical distribution
- All data is to be as of the end of previous year

#### Impact Reporting

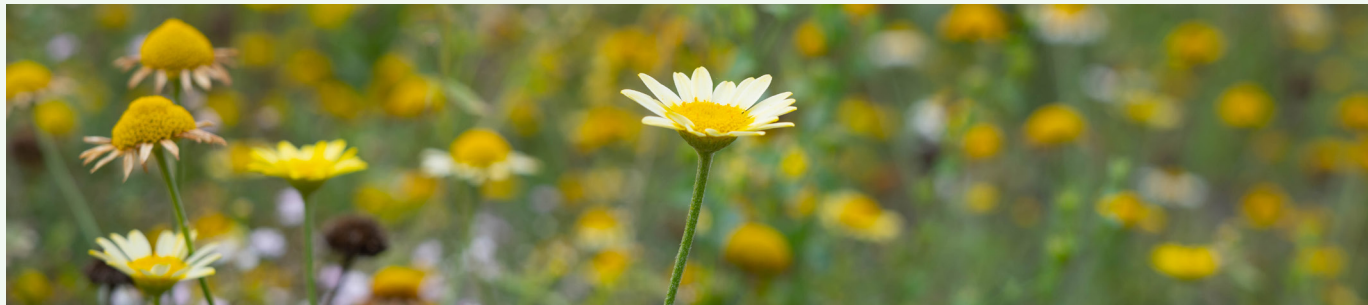
The impact reporting will contain a disclosure of project level performance indicators. The reporting will strive to disclose the impact based on the green financings share of the total investment. For financed eligible Green Projects that are not yet operational, Willhem will strive to provide estimates of future performance levels. Willhem will on best effort basis align the impact reporting with ICMA's Harmonised Framework for Impact Reporting and provide details of the methodology used to calculate the impact indicators. The metrics below are examples of impact indicators that are likely to be used by Willhem in the forthcoming Reporting.



### Impact metrics for green buildings

Depending on the type of project, some or all the indicators below may be used.

Eligible Green Project Category	Examples of impact indicators
Green Buildings	<ul style="list-style-type: none"> <li>• Environmental certification and level</li> <li>• Carbon intensity annual emissions</li> <li>• Reduced or avoided tonnes of CO<sub>2</sub>e emissions</li> <li>• The annual energy use kWh/sq m Atemp</li> <li>• Energy use reduced or avoided</li> <li>• The percentage of renewable energy used compared to the total energy used</li> <li>• The relative energy performance (%-improvement) compared with applicable national building code (new buildings)</li> </ul>
Renewable energy	<ul style="list-style-type: none"> <li>• Annual renewable energy generation (MWh/GWh)</li> <li>• Capacity of renewable energy (MW)</li> <li>• Reduced or avoided tonnes of CO<sub>2</sub>e emissions</li> </ul>
Clean transportation	<ul style="list-style-type: none"> <li>• The number of charging stations for electric vehicles installed</li> <li>• Number of bicycles that a bicycle garage can accommodate</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh</li> <li>• Examples of energy efficiency projects that has been financed with green net proceeds (if such a project has been completed)</li> </ul>



## 5. External Review

### Second Party Opinion (pre-issuance)

Willhem has appointed Morningstar Sustainalytics to assess this Green Bond Framework and its alignment with the Green Bond Principles. The Second Party Opinion can be found on Willhem's website.

### External Verification (annually post-issuance)

An external auditor of Willhem, or a similar party appointed by Willhem 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 Projects that Willhem has communicated in the Reporting. Their conclusions will be included in Willhem Annual Report.

