



Reporting – Sustainability bonds

Hemsö is the first issuer of sustainability bonds in the Nordic region. The total amount issued is SEK 3,800 million.

First in the Nordic region

In 2016, Hemsö was the first Nordic company to issue a sustainability bond, which paved the way for continued issues. In 2020, Hemsö issued five more sustainability bonds, representing about 40 per cent of the total bond value issued by the company during the year. The proceeds were used exclusively for sustainable investing and properties. Hemsö's sustainability bond framework provides a clear definition of the project types and properties that can be financed. Hemsö was the first company in the Nordic region to incorporate social investment into its framework. The complete framework is available at hemso.se. Hemsö's sustainability bonds are listed on either the Nasdaq Stockholm Sustainable Bond List – a market segment for sustainability bonds that must meet certain criteria before they are admitted to trading on the venue, or on the Euronext ESG

Bond list – a community of ESG bond issuers (green, sustainability, blue and sustainability-linked bonds).

Hemsö's vision is to strengthen the backbone of society. The properties we develop and manage have a major impact on the local community. Our learning process starts in our properties, which is also where we sum up our life's work. Hemsö's business concept is to sustainably own, manage and develop public properties. That means being a long-term and responsible property owner that, in every aspect of our operations, conducts sustainable business under the framework of the 2030 Agenda for Sustainable Development. Hemsö's properties are part of the social infrastructure and our premises create conditions for education, health care and justice system services – all of which are fundamental to a sustainable society.

Qualified projects

Under Hemsö's sustainability bond framework, the proceeds from the issues shall be used to finance environmentally certified properties, energy-efficiency investments or social investments in the following categories:

1. Green and sustainable buildings
2. Energy efficiency
3. Social investments:
 - a. Schools
 - b. Nursing homes
 - c. Conversion projects to develop refugee housing
4. Renewable energy

In 2020, the allocation was only for existing properties that were completed new construction projects and were completed in recent years. An amount corresponding to the issue proceeds is used to finance sustainable assets in accordance with the sustainable finance



Education, Mälardalen University, Eskilstuna

framework. The entire amount raised is allocated to existing green, social and sustainable assets, whereby the balance of Hemsö's sustainable accounts is zero.

Second opinion from Sustainalytics

Ratings firm Sustainalytics reviewed Hemsö's sustainability performance and bond framework terms. Sustainalytics is of the view that Hemsö's sustainability performance ranks highly in the property sector and that the company is well-positioned to issue sustainability bonds that support both environmental and social initiatives. Sustainalytics verifies that the investment categories included in the framework will contribute to greater sustainability.

Read Sustainalytics' second opinion at hemso.se

Examples of development projects financed

Research centre in Duisburg, Germany

In 2019, a new environmental and research centre was completed in

Duisburg in Germany. The tenant is the state of North Rhine-Westphalia and the property is used as a laboratory for conservation and consumer protection. The property holds DGNB (German) and LEED Gold certifications. The focus of the activities and environmental certification are aligned with Hemsö's sustainability focus. One measure for improving the building's energy performance has been to prioritise enhanced thermal insulation.

DGNB stands for Deutsche Gesellschaft für Nachhaltiges Bauen. The system was established in 2007 and is a certification system for properties in Germany. The organisation has 1,200 members, including investors, developers, architects, researchers and project developers.

Mälardalen University in Eskilstuna

In March 2017, Hemsö acquired ground leases in central Eskilstuna, which are now the site of the new Mälardalen University (MDH). The university was completed in autumn 2019 and 4,000 students and 300 employees have now moved into new, modern and flexible educational facilities with an area of

20,000 sqm. A 20-year rental agreement has been signed with the university. The building is Miljöbyggnad-certified with a Silver rating, and the building's energy consumption is Miljöbyggnad-certified with a Gold rating.

A district heating system was chosen for the energy supply, in which recovery with process cooling is utilised using heat pumps. Free cooling is also used, whereby outdoor air is used as a complement for cooling the indoor air, which reduces the energy consumption of the external cooling machines. The newly constructed section of the property has a glass and aluminium façade with a low U-value, a super insulating aluminium system that is fully thermally broken with triple glazing insulation. In the refurbished section of the property, the existing windows were replaced and renovated. Another sustainable measure was the installation of a sedum green roof.

A selection of the research studies used for Grenverket's outdoor environment design (Klostergården 2:9, by 90)

Grahn, P. & Stigsdotter, U.K. (2010). "The relation between perceived sensory dimensions of urban green space and stress restoration." *Landscape & Urban Planning* 94: 264-275.

Grahn, P. Stigsdotter, U. & Berggren-Bärring, A-M. 2005. A planning tool for designing sustainable and healthy cities. The importance of experienced characteristics in urban green open spaces for people's health and well-being." In Conference proceedings "Quality and Significance of Green Urban Areas," (April 14-15, 2005), Van Hall Laren-

stein University of Professional Education, Velp, The Netherlands.

Hollingsworth R & E. J. Hollingsworth. (2003). "Stora upptäckter och biomedicinska forskningsorganisationer" (Eng: Major discoveries and biomedical research organisations), Kim, Lillemor & Mårtens, Pehr (eds), "Den vildväxande högskolan, Studier av reformer, miljöer och kunskapsvägar" (Eng: The wild-growing college, Studies of reform, environments and knowledge paths), SISTER, Skrifter 8, Nora: Nya Doxa.

Kaplan, R. & Talbot, J.F. (1983). "Psychological benefits of wilderness experience." *Human Behavior & Environment: Advances in Theory & Research* 6, 163-203.

Kaplan, R., Kaplan, S. & Ryan, R.L. (1998). *With People in mind*. Island Press.

For a complete list of the research studies, refer to: <http://restorativeworkplace.com/wp-content/uploads/2015/07/Publications-2015-GI-Starka-Miljöer.pdf>



Green and sustainable investments, 31 Dec 2020

Category	Property	Amount, SEK million	Certification and level	Property type	MWh/year	kWh/m ²	tCO ₂ /year	kgCO ₂ /m ²	Places created*
Sustainable	Medicinaren 25**	1,350	Miljöbyggnad Silver	School/university	4,311	129.7	56.8	1.7	500
Sustainable	Medicinaren 23	675	Miljöbyggnad Silver	School/university	1,695	81.4	25.7	1.2	1,850
Green	Lanuv, Wuhanstraße 6.11 ***	552	LEED Gold & DGNB Gold	Education	3,905	235.8	1,828.4	110.4	n/a
Sustainable	Verkmästaren 6 & 7	470	Miljöbyggnad Silver	School/university	1,414	62.9	52.7	2.3	4,000
Sustainable	Klostergården 2:9 By 90 ****	300	Miljöbyggnad Silver	Education	1,160	58.9	0.7	0.04	720
Sustainable	Krusmyntan 1	200	Miljöbyggnad Silver	Nursing home	195	44.0	0	0	63
Sustainable	Nåden 1 *****	130	Miljöbyggnad Silver	Nursing home	205	54.2	0	0	54
Sustainable	Romberga 23:54	100	Miljöbyggnad Silver	Nursing home	364	83.5	1.6	0.4	54
Total		3,777							

* The capacity of the buildings to provide public services (school places, nursing home beds and so forth)

** The outcome includes business cooling.

*** The outcome includes business energy and non-seasonally adjusted data for heating. The contract is in the name of the tenant.

**** The outcome includes business electricity. The year-on-year decrease is mainly the result of completed energy projects.

***** The outcome is based on projected value except for the outcome for two months.

Social investments, 31 Dec 2020

Category	Property/project	Amount, SEK million	Project, description	No. of places	Area/person/m ²	Distance from public transport, km
Social	Norr 5:10	2.9	Conversion to housing for unaccompanied refugee children	24	21	0.6
Social	Kråkhult 1:61	3.2	Conversion to housing for unaccompanied refugee children	24	30	0.2
Social	Fritsla 14:8	2.9	Conversion to housing for unaccompanied refugee children	12	53	0.2
Social	Byrådirektören 4	1.4	Conversion to housing for unaccompanied refugee children	35	46	0.1
Social	Grenverket	15.0	Design of outdoor environment based on environmental psychology research	n/a	n/a	n/a

Allocated amount per category, %

Category	Amount, SEK million	Share, %
Green	552.0	14.5
Social	25.4	0.7
Sustainable	3,225.0	84.8
Total	3,802.4	100