

Second-Party Opinion

Hemsö Sustainability Bond

Evaluation Summary

Sustainalytics is of the opinion that the Hemsö Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, the Social Bond Principles 2018, and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, the Social Bond Principles and/or the Sustainable Bond Guidelines. Sustainalytics considers the use of proceeds to be impactful and welcomes the use of recognized third-party standards for green and sustainable buildings, such as BREEAM, LEED and Miljöbyggnad.



PROJECT EVALUATION / SELECTION Hemsö's internal process in evaluating and selecting projects is aligned with market practice, including a dedicated committee composed of members of the finance department and the sustainability department.



MANAGEMENT OF PROCEEDS Hemsö's processes for management of proceeds is aligned with market best practice. Hemsö keeps the proceeds of the bond in a separate account (the "Sustainability Bond Accounts") and records the purpose of any transfers on the account. In addition, an auditor will verify the allocation of proceeds to eligible projects on an annual basis.



REPORTING Hemsö intends to report allocated proceeds in its financial and sustainability report on an annual basis. In addition, Hemsö is committed to reporting on impact indicators, such as environmental certification, carbon and energy savings, identified target groups and renewable energy production. An annual review of the proceeds' allocation to eligible projects and compliance with the terms of the Sustainability Bond will be conducted by an independent auditor, which is aligned with market best practice.

Evaluation date	3 July 2018
------------------------	-------------

Issuer Location	Stockholm, Sweden
------------------------	-------------------

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	7

For inquires, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
 Project Lead
 lili.hocke@sustainalytics.com
 (+31) 20 205 00 40

Trisha Taneja (Toronto)
 Product Manager
 trisha.taneja@sustainalytics.com
 (+1) 647 317 3695

Introduction

Hemsö Fastighets AB operates as a property company that owns, manages and develops buildings for community services in Sweden, Germany and Finland. Its property portfolio includes nursing homes, education, healthcare, and legal sector premises. The company was founded in 2001 and is headquartered in Stockholm, Sweden.

Hemsö has developed the Sustainability Bond Framework (the “framework”) under which it is planning to issue multiple sustainability bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that promote environmental and social matters related to Hemsö’s business activities. The framework defines eligibility criteria in four areas:

1. Green and sustainable buildings
2. Energy efficiency
3. Social investments
4. Renewable energy

Hemsö engaged Sustainalytics to review the Sustainability Bond Framework and provide an independent second-party opinion on the alignment of the framework with the Green Bond Principles 2018 (the “GBP”), the Social Bond Principles 2018 (the “SBP”), and Sustainability Bond Guidelines 2018 (the “SBG”), as administered by the International Capital Market Association (the “ICMA”),¹ and on the framework’s environmental credentials. This framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with members of Hemsö’s management team. Sustainalytics also reviewed relevant public documents and non-public information to understand the sustainability impact of Hemsö’s sustainability bond, business processes and planned use of proceeds, as well as management of proceeds and reporting aspects.

This document contains Sustainalytics’ opinion of the Sustainability Bond Framework and should be read in conjunction with that framework.

¹ ICMA’s Green, Social and Sustainability Bond Principles and Guidelines 2018: <https://www.icmagroup.org/green-social-and-sustainability-bonds/>

² <http://www.hemso.se/en/about/financial-information/financing/sustainability-bond/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the Hemsö Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. Additionally, Sustainalytics views Hemsö's sustainability bond framework positively. Some of its key strengths are:

- Use of Proceeds:
 - The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles, the Social Bond Principles, and the Sustainable Bond Guidelines.
 - Hemsö uses recognized third-party standards for green and sustainable buildings, such as BREEAM, LEED and Miljöbyggnad. A detailed assessment of the standards is disclosed in [Appendix 1](#).
 - Hemsö disclosed that it aims to allocate the majority of proceeds to new projects and assets, defined as projects which have been completed within the last 12 months. Hemsö is committed to disclose the proportion of financing to new projects and assets in the annual reporting.
- Project Selection Process:
 - Hemsö's internal process in evaluating and selecting projects is aligned with market practice, including a dedicated committee composed of members of the finance department and the sustainability department.
- Management of Proceeds:
 - Aligned with market best practice, Hemsö keeps the proceeds of the bond in a separate account (the "Sustainability Bond Accounts") and records the purpose of any transfers on the account.
 - An auditor will verify the allocation of proceeds to eligible projects on an annual basis.
- Reporting:
 - As part of its annual financial and sustainability reporting, Hemsö will disclose the proportion of allocation of proceeds to new and existing projects. The reporting will also include information on the allocation of proceeds to either Green, Social or Sustainable projects and assets and the amount of unallocated proceeds. An annual review of the proceeds' allocation to eligible projects and compliance with the terms of the Sustainability Bond will be conducted by an independent auditor, which is aligned with market best practice.
 - Hemsö is committed to report on the impact of the use of proceeds on an annual basis, including indicators such as environmental certification, carbon and energy savings, identified target group (main beneficiary) of the investment and renewable energy production. Sustainalytics considers these indicators to be aligned with market practices.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Hemsö's sustainability bond aligns to the four core components of the Green Bond Principles, the Social Bond Principles 2018, and the Sustainability Bond Guidelines 2018. For detailed information please refer to [Appendix 2](#): Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Hemsö has been actively integrating sustainability issues into its business model of owning, managing and developing properties for the elderly, education, care and legal sectors. Sustainability is overseen by Hemsö's Sustainability Council including board level responsibility.³ In addition, Hemsö has a strong environmental policy (embedded within its sustainability policy) and management system. In its sustainability policy, Hemsö sets environmental, social and financial sustainability targets. In Sweden, all newly constructed buildings are to be environmentally certified in accordance with the Miljöbyggnad Silver level. In addition, the company aims to reduce energy use by 30% from 2012 to 2020 and have a minimum value of SEK 10 billion in its portfolio

³ Hemsö Sustainability Policy, 2018, <http://www.hemso.se/contentassets/9e5c9e4f6cf54844bdba5dfdfd4edfc4/sustainability-policy-2018.pdf>

that meets the sustainability criteria of this framework by 2020. Furthermore, Hemsö has been reporting its sustainability performance since 2014, in accordance with the Global Real Estate Sustainability Benchmark (GRESB), achieving the highest score since 2016. In addition, Hemsö invests part of its surplus in social sustainability projects for its tenants such as upgrading playgrounds for pre- and comprehensive schools. Hemsö also established a Sustainability Manager position to foster sustainable property management and to increase the focus on tenant dialogue.⁴

Given Hemsö's sustainability policy and commitments, executive responsibility for sustainability, as well as its sustainability initiatives, targets and reporting, Sustainalytics believes that Hemsö is well positioned to issue sustainability bonds to advance its sustainability strategy.

Well positioned to manage risks related to eligible projects

While the projects financed with the proceeds of Hemsö's sustainability bond have a positive social and environmental impact, Sustainalytics recognizes that projects related to infrastructure development, such as buildings, have potential environmental risks. In addition, social projects that are not targeted at a specific vulnerable population have the potential to increase inequality.

Hemsö applies exclusionary criteria for the use of proceeds excluding fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling or tobacco, reducing the environmental and social risks associated with these investments.

Considering infrastructure projects, Sustainalytics considers Hemsö well positioned to mitigate related risks as all new buildings and properties are to be environmentally certified to at least Miljöbyggnad Silver level. Moreover, Hemsö has sustainability requirements for its supply chain and addresses sustainability requirements in its standard lease contract.

In addition, Hemsö's social investments and investments in sustainable buildings explicitly include access for vulnerable groups, such as economically vulnerable, migrants, undereducated, disabled, elderly, physically or mentally dependent. Moreover, some social investments explicitly target refugees and Hemsö evaluates social investments based on the local context and the degree of vulnerability present in each jurisdiction where Hemsö operates. Thus, Sustainalytics is of the opinion that Hemsö is well positioned to mitigate risks of inequality related to financing social projects.

Section 3: Impact of Use of Proceeds

All four use of proceeds categories are recognized as impactful by GBP, SBP and SBG.

Green buildings, energy efficiency and renewable energy

The use of proceeds will partly be directed towards investments in energy efficiency, green buildings and renewable energy, important catalysts of a low-carbon economy. Sweden has set targets to improve energy efficiency by 50% by 2030, to achieve 100% renewable electricity production by 2040, and to reach net zero emissions of GHGs by 2045.⁵ With buildings accounting for a third of energy consumption according to data from 2012,⁶ the retrofitting and green design of buildings play an important role in reducing energy use and thus CO₂ emissions in Sweden. In addition, Sweden's Fourth National Energy Efficiency Action Plan explicitly names the instruments to increase energy efficiency of buildings, further underlying the importance of the sector in reducing energy use. Sustainalytics welcomes Hemsö's eligibility criteria for energy efficiency projects, including a minimum threshold of a 15% improvement in performance and for buildings in ongoing or finalized reconstruction an energy saving of at least 25%. Hemsö has noted that some expenditures in energy efficiency may have a small impact in terms of percentage improvement achieved, but could have a valuable impact nonetheless in terms of the overall lifecycle of the building. Nevertheless, Hemsö's intended reporting ensures transparency on the estimated energy reduction.

⁴ Hemsö Annual Report 2017, <http://www.hemso.se/globalassets/dokument/finansiella-rapporter/arsredovisningar/annual-report-2017>

⁵ Government Offices of Sweden, Government making broad investments in energy, September 2017: <https://www.government.se/press-releases/2017/09/government-making-broad-investments-in-energy/>

⁶ Nordic Energy Research website, accessed June 2018: <http://www.nordicenergy.org/figure/energy-consumption-by-sector/swedish-energy-used-mostly-in-industry-and-buildings/>

Hemsö Sustainability Bond

In addition, for green buildings, Hemsö's project eligibility criteria are based on third-party certification standards of LEED, BREEAM, and Miljöbyggnad. In using Miljöbyggnad Silver, BREEAM Very Good and LEED Gold as minimum standards, the eligibility criteria rely on robust standards for the sustainability performance of the eligible assets. A detailed analysis of the standards is shown in [Appendix 1](#).

Thus, Sustainalytics is of the opinion that green buildings, energy efficiency and renewable energy projects financed through Hemsö's sustainability bond can contribute to reducing energy consumption and GHG emissions in the markets it operates and contributes to Sweden's energy reduction and renewable energy target.

Sustainability buildings and social investments

OECD data indicates that Sweden's proportion of population above 80 years (5.5%) and 65 years (19%) was higher than OECD averages of 4% and 15% respectively. Furthermore, it is expected that 10% of the population will be 80 years or above in 2050.⁷ Providing adequate facilities for elderly care is thus contributing to ensuring sufficient capacity for Sweden's aging population.

In 2016, Sweden was among the countries in the OECD with the lowest NEET (not in education nor employed) rates, with below 10%.⁸ Sweden's target is to have 40-45% of the 30-34 age cohort attain at least two years of tertiary education in 2020, which is an ambitious target compared to 40% set by the EU.⁹ In addition, migrants in the EU have been identified as being prone to lower education levels¹⁰ and the percentage of young people neither in employment nor in education/ training is twice as high as in groups with disabilities.¹¹ Therefore, Sustainalytics considers the financing of education infrastructure, which includes these vulnerable groups to be impactful and contributing to Sweden's educational target.

Moreover, small adaptations to buildings can significantly improve the health and overall wellbeing of occupants. Hemsö's use of sustainability certifications already incorporates some known best practices in the adaption of buildings for the benefits of occupants, such as daylight provision. However, under the use of proceeds, Hemsö makes a strong commitment to put into practice new innovations in building adaptations for social benefits. In discussion with Hemsö's finance and sustainability teams, Sustainalytics has been assured that Hemsö intends to ensure that these investments go beyond the usual investments expected in property development, or the expectations that are outlined in existing certification schemes. Hemsö has also committed to providing disclosure on the scientific studies underlying these investments as part of the public reporting on the Sustainability Bond and has done so for previous issuances,¹² which facilitates confidence in the expected impacts of the investment.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green and sustainable buildings	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Social investments	4. Quality Education	
	11. Sustainable Cities and Communities	4.A Build and upgrade education facilities that are child, disability and gender sensitive and

⁷ OECD 2013, Sweden: A Good Life in Old Age? Monitoring and Improving Quality in Long-Term Care: <https://www.oecd.org/els/health-systems/Sweden-OECD-EC-Good-Time-in-Old-Age.pdf>

⁸ Statistics on young people neither in employment nor in education or training, http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_young_people_neither_in_employment_nor_in_education_or_training;

⁹ Swedish Higher Education Authority, Higher education in Sweden 2016 Status Report:

<http://english.uka.se/download/18.5d85793915901d205f916275/1487932593678/status-report-statistics-higher-education-sweden-2016.pdf>

¹⁰ EuroStat 2017, Europe 2020 indicators – education: http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_2020_indicators_-_education

¹¹ EuroStat 2014, Disability statistics - access to education and training: http://ec.europa.eu/eurostat/statistics-explained/index.php/Disability_statistics_-_access_to_education_and_training#Main_statistical_findings

¹² See Hemsö Annual Report 2017, p. 133

		<p>provide safe, non-violent, inclusive and effective learning environments for all</p> <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</p>
<p>Renewable energy</p> <p>Energy efficiency</p>	<p>7. Affordable and Clean Energy</p> <p>9. Industry, Innovation and Infrastructure</p> <p>11. Sustainable Cities and Communities</p>	<p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries</p>

Conclusion

Hemsö developed the Hemsö Sustainability Bond Framework to promote environmental and/or social matters related to its business activities. The framework is an update to the Hemsö Fastighets AB Sustainability Bond Framework in 2016 and includes an additional eligibility criterion for sustainable buildings and renewable energy. Overall the use of proceeds will be used to finance and refinance projects in the eligible categories: i) Green and sustainable buildings, ii) Energy efficiency, iii) Social investments and iv) Renewable energy.

Hemsö disclosed that it aims to allocate the majority of proceeds to new projects and assets, defined as projects completed within 12 months, and it commits to disclose the proportion of financing to new projects and assets in the annual reporting.

The eligible categories for the use of proceeds are aligned with those recognized by the Green and Social Bond Principles and Sustainable Bond Guidelines. Hemsö uses recognized third-party standards for green and sustainable buildings, such as BREEAM, LEED and Miljöbyggnad and Sustainalytics views the use of proceeds categories as contributing to Sweden's GHG reduction and renewable energy targets.

Hemsö's process for project selection and evaluation, management of proceeds and reporting is aligned with market practice. An annual review of the proceeds' allocation to eligible projects and compliance with the terms of the Sustainability Bond will be conducted by an independent auditor, which is also aligned with market best practice.

Based on the above points, Sustainalytics considers the Hemsö Sustainability Bond Framework to be robust, credible and transparent.

Appendices

Appendix 1: Comparison of green building certification schemes

	Miljöbyggnad 3.0	BREEAM	LEED
Type	Certificate	Certificate	Certificate
Background	Swedish Certification System from SGBC; Used for new and existing buildings and extensions; Used for residential and commercial buildings; Version 3.0 launched in 2017 and will be mandatory for new registrations starting January 1, 2018.	British Certification System; Adapted to Swedish regulations (BREEAM SE) used in Sweden since 2013; Used for new, refurbished and extension of existing buildings	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Gold Silver Bronze	Outstanding Excellent Very Good Good Passed	Platinum Gold Silver Certified
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy • Indoor Environmental • Materials 	<ul style="list-style-type: none"> • Management • Health and Wellbeing • Energy • Transport • Water • Materials • Waste • Land Use and Ecology • Pollution • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority
Comparable Issues to reach M. Silver or BREEAM Very Good	<p><u>Daylight:</u> Daylight factor of more than 1,2%</p> <p><u>Thermal Climate Summer and Thermal Climate Winter:</u> PPD smaller or equal to 15%.</p> <p><u>Moisture Prevention:</u> Moisture Proof design according to Bygga F</p> <p><u>Noise Protection:</u> equal to or 50% above the Parameters Class B</p>	<p><u>Daylight:</u> is not a minimum requirement, at least 80% of the floor area is adequately daylight with an average daylight illuminance of 200 lux for 2650 hours per year. (they also have a daylight factor 2,1 and 2,2)</p> <p><u>Occupants Thermal Comfort:</u> is not a minimum requirement, to receive 1 credit PPD has to be assessed and cannot fall within levels defined as local dissatisfaction.</p>	

		<p><u>Moisture Control:</u> is not a minimum requirement, Moisture safety planning according to Bygga F or equivalent.</p> <p><u>Acoustics:</u> no minimum requirement, for one credit all acoustic parameters for sound class C. For 2 credits, all acoustic parameters for Sound Class B.</p> <p><u>Avoidance of hazardous substances:</u> no minimum requirement, Construction Material Assessment System has been used and substances are documented</p>	
<p>Performance display</p>		<ul style="list-style-type: none"> ☆☆☆☆☆ Unclassified ☆☆☆☆☆ Approved ☆☆☆☆☆ Good ☆☆☆☆☆ Very good ☆☆☆☆☆ Outstanding ☆☆☆☆☆ Excellent 	

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Hemsö
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Hemsö Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	13 June 2018
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Executive Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds are aligned with those recognized by the Green and Social Bond Principles 2018 and Sustainable Bond Guidelines 2018. Hemsö uses recognized third-party standards for green and sustainable buildings, such as BREEAM, LEED and Miljöbyggnad. Hemsö disclosed that it aims to allocate the majority of proceeds to new projects and assets, defined as projects completed in the last 12 months and committed to disclose the proportion of financing to new projects and assets in the annual reporting.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Hemsö's internal process in evaluating and selecting projects is aligned with market practice, including a dedicated committee composed of members of the finance department and the sustainability department.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Aligned with market best practice, Hemsö keeps the proceeds of the bond in a separate account (the "Sustainability Bond Accounts") and records the purpose of any transfers on the account. Unallocated proceeds are invested in short term interest bearing securities according to Hemsö's Financial Policy, while pending investment in Eligible Projects and Assets. Such allowed investments are government bills, commercial paper, short term bonds (with at least investment grade rating) or short-term bank notes. In addition, an auditor will verify the allocation of proceeds to eligible projects.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |

- Disclosure of portfolio balance of unallocated proceeds
 Other *(please specify)*:

4. REPORTING

Overall comment on section (if applicable):

As part of its annual financial and sustainability reporting including the proportion of allocation of proceeds to new and existing projects, to either Green, Social or Sustainable projects and assets and the amount of unallocated proceeds. An annual review of the proceeds' allocation to eligible projects and compliance with the terms of the Sustainability Bond will be conducted by an independent auditor, which is aligned with market best practice.

Hemsö committed to report on the impact of the use of proceeds on an annual basis including indicators, such as environmental certification, carbon and energy savings, identified target group (main beneficiary) of the investment and renewable energy production. Sustainalytics considers these indicators to be aligned with market practices.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other *(please specify): eligible category level and partly project basis*

Information reported:

- Allocated amounts
 Sustainability Bond financed share of total investment
- Other *(please specify): new and existing projects financed*

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify): *eligible category level and partly project basis*

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings

- | | |
|--|---|
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators
(please specify): |
| <ul style="list-style-type: none"> - Environmental certification - Energy consumption - Carbon footprint disclosed - Building type (Education, Elderly care, Healthcare, Legal sector and law enforcement or Other). - Defined scope and goal of the investment. - School premises and nursing homes: Relevant supportive scientific study/studies. - Adaptation of assets to house refugees: (a) The housing capacity in the lease contract, (b) the available square meter area per resident at full capacity and (c) the distance to public transport. | |

Means of Disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Hemsö corporate website, Sustainability: <http://www.hemso.se/en/about/sustainability/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:**

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second opinions" may fall into this category.
- ii. **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against external green and social assessment standards. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

Disclaimer

© Sustainalytics 2018. All rights reserved. No part of this second-party opinion (the “Opinion”) may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analysed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017". In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

