



# GREEN BOND FRAMEWORK

June 2024



# INTRODUCTION

## About Norwegian Property

Norwegian Property is a fully integrated corporate real estate company with bonds listed on Oslo Stock Exchange. Our philosophy is to create engaging meeting places that provide solid ground for developing relationships between people and the environment. This philosophy characterises our business that involves development, administration, daily operation and maintenance of our properties. At 31<sup>st</sup> March 2024, Norwegian Property owned 31 office, commercial and residential properties in Norway. These are primarily located in Oslo and measured by rental income, the properties comprise primarily of offices, warehousing and parking (85 %) as well as retail (15 %).

The Paris agreement sets a clear goal for the future, urging private institutions as well as public and political organizations to adjust to the climate challenges. Norwegian Property is constantly working to improve its operations in order to meet these goals and contribute to shift the property sector towards a greener future. With a growing population and an urbanization of society, transitioning the property sector is crucial to meet both national and global sustainability goals. Construction of new buildings, renovation of older buildings and energy efficiency are all important factors in this transition.

Norwegian Property has a long-term sustainability strategy consisting of an overall ambition, four core values (collaborative, courageous, proactive and attentive) and underlying priority areas. Norwegian Property's ambition is to combine environmental, social and financial considerations in the group's growth strategy. The strategy aims to focus on clean energy sources, reduce the general consumption of energy, increase the degree of waste sorting, use sustainable materials in projects, and reuse of buildings and materials. Norwegian Property's yearly report "Carbon accounting report" disclose the group's greenhouse gas (GHG) emissions and energy consumption. This is an integrated part of the company's climate strategy and an important tool in order to identify concrete measures to reduce the energy consumption and corresponding GHG emissions as well as enable the organization to benchmark performance indicators and evaluate progress over time. The energy centre at Aker Brygge, which produce energy for heating and cooling to properties at Aker Brygge from sea water, is an example of measures Norwegian Property takes in order to reduce the environmental footprint.

# UN Sustainable Development Goals

There is an increasing expectation from stakeholders that businesses take an active and central role in tackling the global sustainability challenges. In 2015 all members of the UN came together and agreed on 17 sustainable development goals to act as guide for countries and companies in developing their own sustainability strategy. Norwegian Property defines four main SDGs in their sustainability strategy. These are (8) Decent work and economic growth, (11) Sustainable cities and communities, (13) Climate action and (14) Life below water. Each SDG is supported by detailed, concrete and relevant goals directly connected to Norwegian Property’s core business. These can be found in “Strategies and Targets for CSR 2019-2025” on the company’s webpage.

## SUSTAINABLE DEVELOPMENT GOALS



## **Green Bond Framework**

The International Capital Markets Association (ICMA) Green Bond Principles (GBP) are a set of voluntary guidelines that recommend and promote transparency and disclosure. GBP promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. This Green Bond Framework is based on the June 2021 version of GBP, and June 2022 Appendix. The framework therefore consists of the four core components of the GBP as well as the recommended External Review component:

1. Use of Proceeds
2. Process for Project evaluation and selection
3. Management of proceeds
4. Reporting
5. External Review

It is Norwegian Property's intention to follow best practices in the market as the standards develop and as such the Framework may be updated from time to time.

### **1. USE OF PROCEEDS**




The net proceeds of the Green Bonds issued by Norwegian Property will be used to finance or re-finance Eligible Projects that have been evaluated and selected by Norwegian Property in accordance with this Green Bond Framework.

#### **Financing versus refinancing**

Refinancing of Eligible Projects will have a look-back period of no longer than five years. The distribution between new and refinanced Eligible Projects will be described in the annual investor letter.

#### **Exclusions**

Proceeds from Green Bonds will not be allocated to projects for which the purpose of the Eligible Assets and Projects is fossil energy production, nuclear energy generation, environmentally harmful resource extraction, gambling, or tobacco.

| Categories      | Eligible Projects   | SDGs & GBP Objectives  |
|-----------------|---|--|
| Green Buildings | <ul style="list-style-type: none"> <li>• New buildings built after 31 December 2020: New construction of office, commercial and/or residential properties with a certification (or with the ambition to receive such certification after construction completion) from BREEAM-NOR with a minimum certification level of “Excellent”</li> <li>• Existing buildings (built on or before 31 December 2020): Existing office, commercial and/or residential properties with certification from BREEAM-NOR In-Use with a minimum certification level of “Very Good”, with at least light Green shading and EPC-level C</li> <li>• Renovation of office, commercial and/or residential properties leading to reduced energy consumption per year of at least 30 % or improving the energy class of a building with at least two notches (e.g. from D to B or from E to C.)</li> </ul> | <p><b>ICMA GBP Objective:</b> Climate Change Mitigation</p>  <p><b>SDG: 11</b></p>  |
| Clean Energy    | <ul style="list-style-type: none"> <li>• Investments into on-site emission free power installations and/or stand-alone solar or geothermal facilities for local power generation for production, as well as related infrastructure and equipment such as connection, electric substations and foundations, and electric heat pumps or seawater pumps.</li> </ul>  | <p><b>ICMA GBP Objective:</b> Climate Change Mitigation</p>   <p><b>SDGs: 7.2, 8.4</b></p> |

## 2. SELECTION AND EVALUATION OF ELIGIBLE PROJECTS

Eligible Projects are selected by a committee consisting of representatives from Operations, Finance and Environmental functions. The committee will consist of the Head of Finance and the Director of Development or Director of Operations depending on the nature of the project being financed. The Head of Finance is also representing the environmental function, and selection is based on a consensus approach.

The committee will meet regularly, at minimum on an annual basis, with the potential for additional meetings when necessary, and ensures that the green project pool is updated annually to reflect the actual portfolio by evaluating and replacing Eligible Projects that may no longer meet the criteria.

### Environmental and social risks

In late 2022 the Norwegian Property management team analysed the stakeholders regarding their view on sustainability matters. This was used as input to the double materiality analysis. This was the basis for an update of risk and opportunities within environmental, social, and governance (ESG) areas, and for a company within the real estate industry, climate change was identified as one of the focus areas within ESG. Norwegian Property has identified and assessed climate-related risks and opportunities according to the TCFD framework. Such risks and opportunities are categorized as physical and transitional risks and opportunities related to climate change. The physical risks identified include: Increased precipitation, greater humidity, higher sea levels, and change of temperatures. Transition risks identified are market related such as increased demand for more environment-friendly premises, more demanding environmental standards from investors and banks, increased insurance premiums, new technology and reputational risks. Regulatory risks are government requirements and permits as well as regulations such as a car-free central zone in Oslo. Norwegian Property will manage environmental risk in accordance with our internal policies and guidelines.

The company has also identified risks and opportunities for social aspects. In line with the vision of creating engaging meeting places, Norwegian Property has identified risks such as the effect on the local community when doing a development project, how to take care of the cultural heritage when it comes to old buildings in the property portfolio, and how to create safe meeting places accessible to all both inside and outside of the properties. Social responsibility for both own employees as well as for employees within the value chain is also considered. The risk of violations of human rights and decent working conditions is under continuous supervision in line with the Norwegian Transparency Act. Norwegian Property will manage social risk in accordance with our internal policies and guidelines.

### 3. MANAGEMENT OF PROCEEDS

Norwegian Property will establish a Green Bond Register with the purpose to monitor Eligible Projects financed by the Green Bonds issued by Norwegian Property as well as provide an overview of the allocation of the net proceeds from the Green Bonds issued to the respective Eligible Projects. The value of the Eligible Projects detailed in the Green Bond Register will at least equal the aggregate net proceeds of all outstanding Norwegian Property Green Bonds. Net proceeds will be periodically adjusted to match allocations to eligible projects on an annual basis. NPRO aims to allocate proceeds within the first year of issuance, however there may be periods when the total outstanding net proceeds of Green Bonds exceed the value of the Eligible Projects in the Green Bond Register. Proceeds yet to be allocated towards Eligible Projects will be held in accordance with Norwegian Property's liquidity management

policy, such as in bank accounts with relationship banks, until allocated. The Green Bond Register will form the basis for the impact reporting.

## 4. REPORTING

Within one year of the first issuance and as long as there are green bonds outstanding, Norwegian Property will annually provide an investor letter detailing the allocation and impact of Green Bonds issued under this framework.

### **Allocation reporting**

The allocation reporting will include:

- The total amount of Green Bonds issued
- The allocation between new financing, refinancing and any unallocated proceeds
- A list of Eligible Projects and a brief description

### **Impact reporting**

Norwegian Property will report on the impact on the Eligible projects financed by Green Bonds. As Norwegian Property can finance a large number of smaller Green Projects in the same project category, impact reporting may be aggregated. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis. The impact metrics selected could include the following:

- Energy consumption, disclosed by intensity (kWh/m<sup>2</sup>)
- CO<sup>2</sup> emissions, disclosed by intensity (kgCO<sup>2</sup>/m<sup>2</sup>)

The reported amounts will represent a yearly average for the given year.

## 5. EXTERNAL REVIEW

### **Second party opinion (pre-issuance)**

To secure alignment with national and international guidelines, Norwegian Property has engaged S&P Global to act as an external verifier of this Green Bond Framework and the Eligible Projects.

### **Third-Party Review (post-issuance)**

Norwegian Property has appointed an external third party to annually assure that the selection process for the financing of Eligible Projects and that the allocation of the net

proceeds of the Green Bonds are done in accordance with Norwegian Property's Green Bond Framework.

### **Publicly Available Documents**

The Green Bond Framework, the second party opinion, the third-party review, and the Green Bond Framework related reporting, will be publicly available on Norwegian Property's website.