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# Green Finance Framework

K2A Knaust & Andersson Fastigheter AB (publ)



## I. Introduction

### I.1 About K2A

#### **Business concept and model**

K2A was founded in 2013 and is a real estate company focusing on long-term management of self-produced rental apartments for all types of housing. The property portfolio further includes community service properties, such as elderly care centres, schools etc. The company is currently operating in 16 locations in Sweden, from Kiruna in the north to Lund in the south. The business is concentrated to Stockholm, Mälardalen and a number of selected university cities located in other parts of Sweden, where demand for rental apartments is high.

K2A's main target group is smaller households, with 1-2 people, a type of household that constitutes the largest market in Sweden. By offering smaller but well-planned housing with favourable rents in attractive locations, K2A contributes to an inclusive housing market.



K2A is involved in the entire value chain, from customer analysis to land acquisition, own industrial production, construction and ultimately long-term ownership and management. With a property and project portfolio of almost 5,400 properties, K2A has just in a few years become an established real estate company with a strong position in a number of local markets. The aim is to be a significant market participant and a strong partner in the development of attractive, vibrant and sustainable communities.

### I.2 K2A sustainability contribution

K2A is a property owner which takes responsibility for the impacts of its own operations and contributes to a sustainable development of society. The company's efforts to limit and reduce the environmental impact of its business are based, among other things, on the principles of the UN Global Compact and are manifested in a guiding sustainability policy and a code of conduct that includes both employees and suppliers.



#### **Sustainable property development method**

By managing its construction process in a sustainable way and using environmentally-friendly raw materials, K2A has been able to decrease its environmental footprint remarkably. Through its subsidiary Grännäs Trähus, K2A produces apartment units in its own factories in Valdemarsvik and Gävle. The apartments are mostly built in locally produced Swedish wood, a renewable material that makes it possible to produce the apartments in a resource- and energy-efficient industrial process with lower climate impact compared to conventional house production. This method has made K2A the first manufacturer of prefabricated wooden apartment units that have been licensed to build Nordic Swan Ecolabelled (Sw. "Svanenmärkt") properties. The goal is that all new construction of properties from 2018 should be Nordic Swan Ecolabelled or equivalent.

#### **Energy-efficient solutions for improved property management**

K2A's real estate portfolio mainly consists of housing built over the past five years. In addition, several older properties have been renovated and upgraded to modern standards. Energy-efficient solutions are thus found in both new and older properties. For example, K2A has installed solar panels on several residential properties in Lund, Västerås and Haninge. Examples of other smart sustainable solutions by K2A is the electric car pool (Bobil), which is exclusive to its customers in Umeå, Örebro, Haninge, Västerås and Lund.

#### **Commitment to social development**

K2A is committed to be a part of the development of local communities in which the company operates. For example, K2A engages in collaborations with local organisations such as Mattecentrum, that offers youths in elementary and

high school free homework help in mathematics. These types of collaborations can contribute to strengthening and developing the knowledge of young people, which is important both for the individual and society.

### 1.3 The Green Finance Framework

The establishment of this Green Finance Framework (the “Framework”) is a natural part of the company’s profile as sustainable enterprise, and will enable K2A to further focus on achieving positive environmental impact in its business operations.

This Framework has been developed in alignment with the Green Bond Principles 2018 (“GBP”)<sup>1</sup>. The Framework is applicable for issuance of Green Finance Instruments including Green Bonds, Green Commercial Papers, Green Loans and other types of debt instruments and is aligned with the four recommended components of the GBP; Use of Proceeds (Section 2), Process for Project/Asset Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5).

Furthermore, the Green Finance Framework is reviewed by an impartial firm, CICERO, which has provided a second opinion to confirm its alignment with the GBP.

The Framework and second opinion from CICERO are available on K2A website.



<sup>1</sup> Green Bond Principles published in June 2018 are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/> Green Bond Principles

## 2. Use of Proceeds

Proceeds from K2A’s Green Finance Instruments will be used to finance or re-finance, in part or in full, Eligible Green Assets (as defined below) providing distinct environmental benefits in accordance with the below defined main categories. The company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets.

Eligible Green Assets under the Framework include:

### Green buildings:

- i) Prefabricated wooden buildings produced in own factories by using locally grown Swedish wood as an input material<sup>2</sup>
- ii) Buildings that either have or will receive minimum certification of Nordic Swan Ecolabel (Sw. “Svanenmärkt”). For multi-dwelling houses and buildings for preschools and schools the buildings’ energy use per year may not exceed a maximum of 85% of BBR26<sup>3</sup>
- iii) Buildings that either have or will receive minimum certification of Miljöbyggnad Silver or Passive House (Sw. “Passivhus”)

### Energy efficiency:

- i) Energy retrofits such as installation of solar panels, heat pumps, converting to LED lighting, improvements in ventilation systems, extension of district heating and cooling systems.

Eligible Green Assets under “Green buildings”, are based on the value of assets reported on the balance sheet, at time of the cut-off date for annual reporting of the Green Finance Instruments. Eligible Green Assets under “Energy efficiency” correspond to the relevant invested amount.

<sup>2</sup> Buchanan and Levine (1999) calculated that “production of wood buildings use less energy and have lower CO2 emissions than buildings made of other materials...The displacement factors ranged from 1.05 to 15 kg C emission avoided per kg C additional wood material, depending on the building systems compare” <https://webbutik.skl.se/bilder/artiklar/epub/7585-377-2.epub>

<sup>3</sup> BBR stands for Boverket’s Building Regulations

### 3. Process for Asset Evaluation and Selection

#### 3.1 Selection of Eligible Green Assets

The evaluation and selection process for Eligible Green Assets is a key process in ensuring that the proceeds from Green Finance Instruments are allocated to assets and activities which meet the criteria in the Framework.

The selection of Eligible Green Assets is managed by a dedicated group, the Green Finance Committee (“GFC”). Members of the GFC consist of CEO, Head of Investor Relations and CFO. K2A will make sure the sustainability expertise always relies within the GFC. All decisions are made in consensus, and that applies to the selection process of Eligible Green Assets as well.

A list of Eligible Green Assets is kept by the Finance Department and the CFO is responsible for keeping this list up to date.

#### 3.2 Further responsibilities of the GFC

The Framework will be updated from time to time to reflect current market practices and potential updates to the GBP, if and when the GFC deems it necessary.

The list of Eligible Green Assets is monitored on a regular basis during the term of the Green Finance Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Assets. This too is the responsibility of the GFC.

#### 3.3 Exclusion

The proceeds of K2A’s Green Finance Instruments issuances will not be used to finance fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.



### 4. Management of Proceeds

Net proceeds from K2A’s Green Finance Instruments will be tracked by using a spreadsheet where all issued amounts of Green Finance Instruments will be inserted. The spreadsheet will also contain the list of Eligible Green Assets mentioned in Section 2. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5 and will be verified by an external part as mentioned in Section 6.

All Green Finance Instruments issued by K2A will be managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to any pre-determined Eligible Green Assets. The company will keep track and ensure there are sufficient Eligible Green Assets in the portfolio. Assets can, whenever needed, be removed or added to/from the Eligible Green Assets portfolio.

Any unallocated proceeds temporary held by K2A will be placed on the company’s ordinary bank account or in the short-term money market.



### 5. Reporting

To be fully transparent towards the Green investors and other stakeholders, K2A commits to regular reporting at least on an annual basis until no Green Finance Instruments are outstanding.

#### Allocation reporting

Allocation reporting for Green Bonds will be published on the company’s website on an annual basis. Allocation of proceeds for Green Commercial Paper, if any, will be published on the company’s website on a semi-annual basis.

- Total amount of Green Finance Instruments issued
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section 2
- Share of unallocated proceeds (if any)

- Examples of the relevant Eligible Green Assets

### **Impact reporting**

Impact reporting will be published on the company's website on an annual basis. Below criteria indicating environmental impact will be available:

- Green buildings: type of certification and degree of certification, energy performance per square meter and/or estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO<sub>2</sub>e)
- Energy efficiency: amount of energy saved per square meter, and/or estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO<sub>2</sub>e)

## **6. External review**

### **Second party opinion**

To confirm the transparency and robustness of K2A's Green Finance Framework, it is verified and approved by an external second opinion provider. The second opinion by CICERO is available on the K2A's website, together with this Framework.

### **External part/verifier**

Allocation of proceeds will be subject for an annual review by an external part/verifier. A verification report provided by the external part will be published on the company's website.



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