

# **‘Second Opinion’ on Fastpartner AB’s Green Bond Framework**

---

November 22, 2018

# Summary

Fastpartner AB is a Swedish real estate company which owns, manages and develops commercial real estate. Operations focus on geographies experiencing growth such as the Stockholm area, Gothenburg, Malmö, Norrköping and Gävle. The company's facilities house large corporates, smaller companies, as well as schools, municipalities and government offices.

Fastpartner aims to manage its business for the long-term sustainable benefit of its partners. A growing number of Fastpartner's existing properties are certified according to GreenBuilding and Miljöbyggnad. Miljöbyggnad's Silver, guarantees that energy use is 25% lower than that required by Swedish Building Regulations. In the green bond framework the same energy efficiency requirement also applies to eligible buildings that have achieved certifications, such as LEED Gold and BREEAM Very Good.

Proceeds from Fastpartners' green bonds will be used to finance or re-finance Eligible Green Assets as defined by either new constructions, major renovations or existing buildings certified by sustainability criteria as well as on-site renewables and energy efficiency measures. Proceeds allocated to energy efficient existing buildings are based on the market value. Compared to the marked value of the buildings, investors should be aware that the share related to energy improvement investments may be relatively small.

We give the governance structure of Fastpartner a rating of Excellent, based on the strong mechanisms set up to select and assess green bond eligible projects, the intended regular and detailed reporting on green bonds, and the overall sustainability-focused management profile and philosophy of the company which includes tracking of CO<sub>2</sub> emissions and a dedication to renewables-only energy sourcing. We are encouraged by the company's use of risk analysis related to extreme weather events such as 100-year flooding.

Based on the overall assessment of the project types that will be financed by the green bonds and governance and transparency considerations, Fastpartner's Green Bond Framework receives a Medium Green shading. Fastpartner's chosen standard to qualify for green bonds proceeds for energy efficiency in existing buildings of 25 percent is modestly encouraging. The issuer should be conscious of the improvement in standards that will be required over time in order to reach the 2050 targets. CICERO reserves the Dark Green shading in the building sector for the highest building standards such as LEED Platinum, Zero-Energy buildings and passive houses. These are relatively rare today but increasingly what building standards must look like if the world is to conform to a low-carbon 2050 perspective.



°CICERO  
Medium Green

# Contents

---

<b>Summary</b>	<b>2</b>
<b>1 Introduction and background</b>	<b>4</b>
Expressing concerns with ‘shades of green’	4
Assessing governance	5
Overall shading	5
<b>2 Brief Description of Fastpartner’s Green Bond Framework and rules and procedures for climate-related activities</b>	<b>6</b>
Use of proceeds:	7
Selection:	7
Management of proceeds:	7
Transparency and Accountability:	8
<b>3 Assessment of Fastpartner’s Green bond framework and environmental policies</b>	<b>10</b>
Overall shading	10
Eligible projects under the Green Bond Framework	10
Building sector certification schemes and CICERO’s assessment of Green Bond Frameworks	12
Governance assessment	12
Strengths	13
<i>Governance</i>	13
<i>Project categories</i>	13
Weaknesses	13
Pitfalls	13
<i>Project categories</i>	13
<b>Appendix: About CICERO</b>	<b>15</b>

---

# 1 Introduction and background

As an independent, not-for-profit, research institute, CICERO (Center for International Climate and Environmental Research - Oslo) provides Second Opinions on institutions' framework and guidance for assessing and selecting eligible projects for green bond investments and assesses the framework's robustness in meeting the institutions' environmental objectives. The Second Opinion is based on documentation of rules and frameworks provided by the institutions themselves (the client) and information gathered during meetings, teleconferences and e-mail correspondence with the client.

CICERO is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO has established the global Expert Network on Second Opinions (ENSO), a network of independent non-profit research institutions on climate change and other environmental issues, to broaden the technical expertise and regional experience for Second Opinions. CICERO works confidentially with other members in the network to enhance the links to climate and environmental science, building upon the CICERO model for Second Opinions. In addition to CICERO, ENSO members currently include Basque Center for Climate Change (BC3), International Institute for Sustainable Development (IISD), Stockholm Environment Institute (SEI), and Tsinghua University's Institute of Energy, Environment and Economy. A more detailed description of CICERO can be found at the end of this report. ENSO encourages the client to make this Second Opinion publicly available. If any part of the Second Opinion is quoted, the full report must be made available.

CICERO's Second Opinions are normally restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO does not validate or certify the climate effects of single projects, and thus, has no conflict of interest in regard to single projects. CICERO is neither responsible for how the framework or mechanisms are implemented and followed up by the institutions, nor the outcome of investments in eligible projects.

This note provides a Second Opinion of Fastpartner's Green Bond Framework and policies for considering the environmental impacts of their projects. The aim is to assess Fastpartner's Green Bond Framework as to its ability to support the transition to low-carbon and climate resilient growth.

This Second Opinion is based on the green bond framework presented to CICERO by the issuer. Any amendments or updates to the framework require that CICERO undertake a new assessment. CICERO takes a long-term view on activities that support a low-carbon climate resilient society. In some cases, activities or technologies that reduce near-term emissions result in net emissions or prolonged use of high-emitting infrastructure in the long-run. CICERO strives to avoid locking-in of emissions through careful infrastructure investments, and moving towards low- or zero-emitting infrastructure in the long run. Proceeds from green bonds may be used for financing, including refinancing, new or existing green projects as defined under the mechanisms or framework. CICERO assesses in this Second Opinion the likeliness that the issuer's categories of projects will meet expectations for a low carbon and climate resilient future.

## **Expressing concerns with 'shades of green'**

CICERO Second Opinions are graded dark green, medium green or light green, reflecting the climate and environmental ambitions of the bonds and the robustness of the governance structure of the Green Bond Framework. The grading is based on a broad qualitative assessment of each project type, according to what

extent it contributes to building a low-carbon and climate resilient society. The shading methodology also aims at providing transparency to investors when comparing green bond frameworks exposure to climate risks. A dark green project is less exposed to climate risks than a lighter green investment.

This Second Opinion will allocate a ‘shade of green’ to the green bond framework of Fastpartner AB:

- **Dark green** for projects and solutions that are realizations today of the long-term vision of a low carbon and climate resilient future. Typically, this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities.
- **Medium green** for projects and solutions that represent steps towards the long-term vision, but are not quite there yet.
- **Light green** for projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision (e.g. energy efficiency in fossil-based processes).
- **Brown** for projects that are irrelevant or in opposition to the long-term vision of a low carbon and climate resilient future.

### Assessing governance

In assessing the governance quality of the issuer, four aspects are studied: The policies and goals of relevance to the green bond framework; the selection process used to identify eligible projects under the framework, the management of proceeds and the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent.

### Overall shading

The project types that will be financed by the green bond primarily define the overall grading. However, governance and transparency considerations are also important because they give an indication whether the institution that issues the green bond will be able to fulfil the climate and environmental ambitions of the investment framework. Hence, the governance assessment plays a role in the overall shading of the framework. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The overall shading reflects an ambition of having the majority of the project types well represented in the future portfolio, unless otherwise expressed by the issuer.

## 2 Brief Description of Fastpartner's Green Bond Framework and rules and procedures for climate-related activities

Fastpartner AB is a Swedish real estate company which owns, manages and develops commercial real estate. Operations focus on geographies experiencing growth such as the Stockholm area, Gothenburg, Malmö, Norrköping and Gävle. The company's facilities house large corporates, smaller companies, as well as schools, municipalities and government offices.

As of 30 September 2018, Fastpartner's property portfolio consisted of 195 properties with a total lettable area of 1 425 m<sup>2</sup>. The properties are valued at SEK 21,345.9M with a rental value of SEK 1,665.0M.

The company has existed since 1987 and was floated on the stock exchange in 1994. It is listed on Nasdaq Stockholm.

The company's sustainability focus is on energy, waste, travel and transport. All electricity is purchased from 100% renewable resources (wind- and hydropower, biomass and solar power). Some of Fastpartner's properties are heated by oil, but a process of phasing out is underway and by the end of 2019 the company will no longer have any fossil-heated buildings.

The company has the following environmental goals:

- ✓ Reduce energy consumption each year in comparable portfolio (kWh/sq.m, year). The current goal is a 1 % reduction year-on-year, but between 2016 and 2017 the company achieved 6%
- ✓ For transport, Fastpartner aims to reduce its environmental impact by converting fully to hybrid and electric cars before 2025
- ✓ Minimise consumption of resources, increase recycling and re-usage of goods
- ✓ Select building materials which are sustainable
- ✓ Fastpartner shall further develop its sustainability systems internally and encourage its suppliers to apply the same good sustainability principles
- ✓ The company will continue to measure and develop control systems to reduce carbon dioxide emissions, assisted by specialized external consultants

Fastpartner offers qualified tenants Green Lease Contracts with the aim of reducing both the energy consumption of the property and the energy consumption related to the tenants' operations. New construction projects would involve environmentally friendly materials. For the Green Lease Contracts, Fastpartner and the tenant together conduct an energy audit of the property and agree on measures to be taken.

Fastpartner supports UN's Global Compact and is member of the Sweden Green Building Council (SGBC).

Fastpartner's Green Bond Framework is applicable for issues of Fastpartner's unsecured green bonds

**Use of proceeds:**

Proceeds from Fastpartners' green bonds will be used to finance or re-finance, in part or in full, Eligible Green Assets as defined by either new constructions, major renovations or existing buildings with sustainability criteria. The eligible projects fall in the category "climate change mitigation".

Eligible Green Assets can be owned by Fastpartner or by any of the companies in the Fastpartner Group<sup>1</sup>. According to the issuer Fastpartner's corporate policies, including on environment, apply also to companies in the group.

The proceeds of any Fastpartner's green bond issuance will not be used to finance nuclear or fossil fuel energy generation.

**Selection:**

The selection process is a key governance factor in the Green bond Principles. We typically look at how climate and environmental considerations are taken into account when evaluating whether projects can qualify for green bond funding. The broader the project categories, the more importance CICERO places on the governance process.

Fastpartner's selection of Eligible Green Assets will follow a two-step procedure:

- ✓ The group responsible for Environmental & Energy Management Policy in Fastpartner will prepare a proposal for Eligible Green Assets. The group consists of 6 individuals, including Head of Regions, Property Manager (Sw. fastighetschef) and 4 representatives from the Regional divisions. The individuals in this group have relevant energy efficiency and certification expertise.
- ✓ A Green Bond Committee consisting of 2 individuals, including the CFO and Property Manager, will do the final sign-off

A list of Eligible Green Assets will be kept by the company's Property Manager who is also responsible for keeping this list up to date. The list of Eligible Green Assets is monitored on a regular basis during the term of the Green Bond to ensure that the proceeds are sufficiently allocated to Eligible Green Assets.

**Management of proceeds:**

The net proceeds from Fastpartner's Green Bonds will be credited to a designated green bond proceeds account.

All green bonds issued by Fastpartner will be managed on a portfolio level. This means that a green bond will not be linked directly to one (or more) pre-determined Eligible Green Assets. Instead, Fastpartner will keep track to ensure that there are sufficient Eligible Green Assets in the portfolio in the aggregate. Assets can, whenever needed, be removed or added to/from the Eligible Green Assets portfolio. A list of Eligible Green Assets will be kept by the company's Property Manager who is also responsible for keeping this list up to date. The list of Eligible Green Assets is monitored on a regular basis during the term of the Green Bond to ensure that the total value of Eligible Green Assets is equal or larger than the outstanding amount of all Green Bonds. Any unallocated proceeds temporary held by Fastpartner will be held in Fastpartner's designated green bonds account or in the short-term money market.

---

<sup>1</sup> Most buildings are owned by a separate company. Some companies own more than one building.

### Transparency and Accountability:

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green bond programs. Procedures for reporting and disclosure of green bond investments are also vital to build confidence that green bonds are contributing towards a sustainable and climate-friendly future, both among investors and in society.

The Fastpartner Green Bond Framework and this Second Party Opinion will be made available on Fastpartner's website.

Fastpartner will report on its green bonds on an annual basis. The report will be made available on Fastpartner's website at the time of its Annual Report and cover the following areas:

- ✓ Total amount of Green Bonds issued
- ✓ Share of proceeds used for financing/re-financing as well as distribution of the proceeds between categories of Eligible Green Assets
- ✓ Share of unallocated proceeds, if any

Moreover, Fastpartner will publish a full list of Eligible Green Assets available within the company. The following criteria indicating environmental impact will be listed:

- ✓ Type and degree of building certification
- ✓ Energy performance (kWh/sq.m/year)
- ✓ Carbon dioxide emissions from the Eligible Green Buildings under the outstanding Green Bonds, including absolute value (ton CO<sub>2</sub>) and change year-on-year (ton CO<sub>2</sub> reduced or avoided)
- ✓ Annual renewable energy generation, kWh (if applicable)
- ✓ Annual energy savings, kWh, or reduction in energy demand, % (applicable for Energy efficiency)

The table below lists the documents that formed the basis for this Second Opinion:

Document Number	Document Name	Description
1	Fastpartner Green Bond Framework	The Green Bond Framework
2	Bolagsstyrningsrapport, 2017	Report from the Board, 2017
3	Fastpartner Årsredovisning 2017	Annual Report, 2017
4	Fastpartner:Hållbarhet	Various information related to Fastpartner's sustainability profile, available from the company's <a href="#">website</a>

---

5	Fastpartners Miljö- och Energiledningssystem Utgåva 2011-04 Rev 2018-06-01	Fastpartner's Environmental and Energy Management Policy
6	Konsulenter Fastpartner 181114	List of consultants used by Fastpartner for sustainability and related work
7	Tjänstebil och Servicebil Policy	Fastpartner's policy on transport modes
8	LCC Bilaga 1	Methodology for assessing energy use of components/materials from a life cycle perspective

---

Table 1. Documents reviewed

### 3 Assessment of Fastpartner’s Green bond framework and environmental policies

Overall, the Fastpartner Green Bond Framework provides a detailed and sound framework for climate-friendly investments.

The framework and procedures for Fastpartner’s green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects, whereas the weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where issuers should be aware of potential macro-level impacts of investment projects.

#### Overall shading

Based on the project category shadings detailed below, and consideration of the issuer’s sustainability work, governance structure and transparency considerations, we rate the framework **CICERO Medium Green**.

#### Eligible projects under the Green Bond Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide certainty to investors that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Category	Eligible project types	Green Shading and some concerns
<b>Green Buildings</b> <b>Category 1:</b>  <b>New construction and major renovations</b>	<ul style="list-style-type: none"> <li>New constructions that either have or will receive minimum certification of Miljöbyggnad Silver (a certification-model developed by the Sweden Green Building Council)</li> <li>New construction that i) either have or will receive minimum certification of “LEED Gold” or “BREEAM SE Very Good” or “BREEAM Very Good” after the completed construction and ii) have an energy performance at least 25 % below the current building regulation (Swedish BBR code) after the completed construction</li> </ul>	<b>Medium green</b> <ul style="list-style-type: none"> <li>✓ Miljöbyggnad Silver means that energy use has to be 25% lower than that required by Swedish Building Regulations (if heated by electricity, it has to be 5% lower)</li> <li>✓ GreenBuilding means that the building has to enact improvements which reduce energy consumption by 25 % compared to before. or that bring the building in line with requirements for new buildings (as regulated by Swedish Authorities BBR)</li> </ul>



- Major renovations reducing energy consumption by at least 25%, making them comply with “GreenBuilding” (a scheme developed by the EU but now managed by the Swedish Green Building Council) ✓
- ✓ A dark green shading would require passive or plus house technologies.
- ✓ Note that all construction projects can have negative local environmental impacts and that these should be minimized.

**Green Buildings Category 2:**

**Existing buildings, including acquired buildings**



- Existing buildings having certification obtained during the construction period according to category 1
- Existing buildings certified as GreenBuilding
- Existing buildings that are i) certified as ”minimum “BREEAM-in-use Very Good” and ii) where renovations have been or will be made aiming at significant energy reductions leading to energy performance of less than 110 kWh/sqm, year

**Medium Green**

- ✓ GreenBuilding means that the building has to enact improvements which reduce energy consumption by 25 % compared to before or that bring the building in line with requirements for new buildings (as regulated by Swedish Authorities BBR)
- ✓ Compared to the marked value of the buildings, the share related to energy improvement investments may be small.
- ✓ Depending on how old the building is, the maximum requirement of 110 kWh per m2 for existing buildings is ambitious. The issuer has told us that it aims to finance buildings under this category that are constructed 2008 or earlier.
- ✓ For investments into energy efficiency the issuer should consider the potential for rebound effects for energy consumption.

**Renewable Energy**



- Investments in onsite renewable energy sources such as solar panels or geothermal energy installations

**Dark Green**

- ✓ Be aware that some geothermal projects might have significant greenhouse gas emissions.

**Energy Efficiency**



- Energy retrofits such as heat pumps, conversion to LED lighting, and improvements in ventilation systems
- The complete abandonment of the usage of fossil fuels in the buildings (e.g. fuel switch to district heating)

**Dark to Medium green**

- ✓ Be aware of lock-in effects. The share of fossil fuels in district heating networks in Sweden is low, but regional differences exist.

Table 2. Eligible project categories

### Building sector certification schemes and CICERO's assessment of Green Bond Frameworks

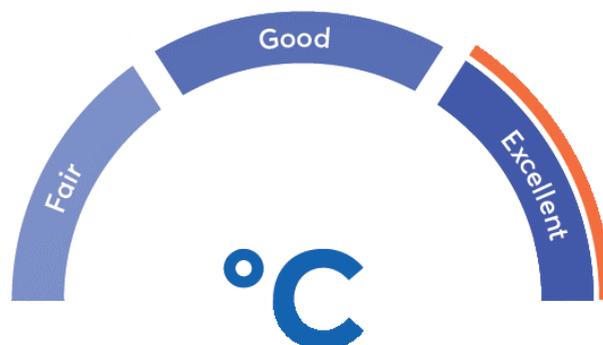
In addition to energy performance certificates (EPCs) buildings can be certified by other sustainability schemes as well, such as the Sweden-specific *Miljöbyggnad* (in addition to energy use, indoor climate and material use are assessed), the Nordic Swan (*Svanen*) system, Passive House, Green Building (a reduction in energy use of 25% is required), LEED, BREEAM or BREEAM-SE. These schemes provide varying degrees of measurement of the environmental footprint of a building, including energy use. Some are more stringent than others and also offer internal gradings (excellent-good, platinum-silver, etc.). Certifications such as LEED and BREEAM measure or estimate the environmental footprint of buildings and raise awareness of environmental issues however they fall short of guaranteeing an environmentally-friendly building. Therefore, CICERO also looks at the energy efficiency improvements of the building and targets that exceed regulations.

In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. According to the International Energy Agency (IEA), efficiency of buildings needs to improve by 30% by 2025 in order to reach the Paris Agreement well below 2°C climate goal<sup>2</sup>. We also assess if there is any screening for potential impacts from more extreme weather events, such as flooding. Flood risk for properties, is of particular concerns in vulnerable geographic regions such as close to rivers exposed to flood risks. We also factor in if there have been any considerations around transportation solutions and environmental impacts in the construction phase of the building (building material and waste considerations).

CICERO Dark Green shading is in particular difficult to achieve in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector should therefore conform to strict measures and is reserved for the highest building standards such as LEED Platinum, Zero-Energy buildings and passive houses.

### Governance assessment

In assessing the governance quality of the issuer, four aspects are studied: The policies and goals of relevance to the green bond framework (1); the selection process used to identify eligible projects under the framework (2); the management of proceeds (3) and the reporting on the projects to investors (4). Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent.



<sup>2</sup> Source: <https://www.iea.org/tcep/>

### Figure 1: Fastpartner's Governance Rating

The overall assessment of the governance structure of Fastpartner gives it a rating of Excellent, based on the strong mechanisms set up to select and assess projects, the intended regular and detailed reporting, and the overall sustainability-focused management profile and philosophy of the company which includes tracking of CO<sub>2</sub> emissions and dedication to renewables-only energy sourcing.

## Strengths

### *Governance*

Fastpartner aims to manage its business for the long-term sustainable benefit of its partners. It seeks to reduce its environmental footprint through its property building strategy as well as its own operations. All properties are to be managed and developed with as little resources and environmental impact as possible. A growing number of Fastpartner's existing properties are certified according to GreenBuilding and Miljöbyggnad (currently approximately 20%), while all new buildings have to be built according to the standard of Miljöbyggnad's Silver.

Fastpartner is forward looking in its investment decisions: when considering a new construction project, it will undertake risk or scenario analysis related to extreme weather events such as 100-year flooding. Building plans are adjusted in response to the findings. Fastpartner sources all its electricity from renewable sources. Also, it offers 'green leases' to its tenants, whereby Fastpartner and the tenant work jointly to reduce energy consumption.

### *Project categories*

It is encouraging to note that Fastpartner is phasing out all fossil-based heating sources in its properties. This means that any upgrades or new investments will reduce the risk of creating lock-in effects (renovation that enables existing infrastructure to last longer)

## Weaknesses

We find no material weaknesses in Fastpartner's Green Bond Framework. However, going forward the company could consider creating stronger metrics and goals for its company-level environmental ambitions related to waste.

## Pitfalls

### *Project categories*

In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. Fastpartner's chosen standard for energy efficiency in existing buildings of 25 percent is modestly encouraging, but the issuer should be conscious of the improvement in standards that will be required over time in order to reach the 2050 targets. According to IEA efficiency of buildings needs to improve by 30% by 2025 in order to reach the Paris Agreement well below 2°C climate goal

According to the framework the eligible green assets in green buildings, category 2 (existing buildings) are based on the market value reported on the balance sheet at time of the issuance of the Green Bond. Compared to the marked value of the buildings, the share related to energy improvement investments may be relatively small.

Efficiency improvements may lead to rebound effects. When the cost of an activity is reduced there will be incentives to do more of the same activity. Fastpartner's Eligible Project Categories are all related to energy efficiency improvements. To the extent possible, the Green Bond Committee should take this into account and avoid funding projects where the risk of rebound effects is particularly high.

# Appendix: About CICERO

CICERO Center for International Climate Research is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international climate cooperation. We collaborate with top researchers from around the world and publish in recognized international journals, reports, books and periodicals. CICERO has garnered particular attention for its work on the effects of manmade emissions on the climate and the formulation of international agreements and has played an active role in the UN's IPCC since 1995.

CICERO is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO received a Green Bond Award from Climate Bonds Initiative for being the biggest second opinion provider in 2016 and from Environmental Finance for being the best external review provider (2017).

CICERO Second Opinions are graded dark green, medium green and light green to offer investors better insight in the environmental quality of green bonds. The shading, introduced in spring 2015, reflects the climate and environmental ambitions of the bonds in the light of the transition to a low-carbon society.

CICERO works with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions. Led by CICERO, ENSO is comprised of trusted research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD). ENSO operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

[cicero.oslo.no/greenbonds](http://cicero.oslo.no/greenbonds)

