



Genova Property Group AB Green Finance Second Opinion

14. January 2021

Genova is a Swedish public limited real estate company. The company owns, manages and develops commercial, community service and residential properties in Greater Stockholm and the Uppsala areas in Sweden. As of 30 September 2020, Genova owns investment properties comprising a lettable area of 187,000 m² worth SEK 4,324m. Including ongoing construction, planned projects and ongoing cooperative apartments projects, the total value is SEK 5,224m. Genova's portfolio of project properties comprises 5,777 building rights (i.e., residential properties and mainly rental apartments) with a total lettable area of 368,000 m² with an estimated value at completion of approximately SEK 18,000 million.

Categories in this framework covers Green and energy efficient buildings, Energy efficiency and Clean transportation. The Green building criteria builds on Miljöbyggnad Silver and/or Nordic Swan Ecolabel or BREEAM new construction Very Good and/or LEED Gold, or equivalent certification schemes. In all cases with an energy consumption of at least 25% below the applicable national building regulation which is quite strict in Sweden. Alternatively, the buildings should have an energy performance certificate (EPC) of class A or B.

Genova has as a goal that all newly build projects shall be environmentally certified. Currently, energy use and greenhouse gas emissions are not reported and Genova has no energy efficiency targets beyond requirements in the various certification schemes employed. Emissions from construction and material use is not covered. The selection process for eligible projects (by inhouse expertise with 'environmental' veto power), the management of the proceeds and the reporting on allocation of proceeds and impacts are all good. The numbers presented in the impact reporting are based on relevant key performance indicators (not subject to third party review/verification). TCFD guidelines are not implemented.

The direct and indirect climate impacts of the real estate sector is of growing concern. It is therefore good that Genova puts forward a framework aligned with the Green Bond and Green Loan Principles and emphasis the use of wood as construction material. The environmental ambition level is not the highest, but represents steps in the right direction. The issuer has informed us that no buildings directly heated by fossil fuels in Sweden will be financed under this framework.

Based on the overall assessment of the project types in the framework of Genova, governance and transparency considerations, the green finance framework receives an overall **CICERO Medium Green** shading. In order to achieve a Dark Green shading, the green finance framework would need stronger eligibility criteria in the Green buildings category and stronger governance elements at the company level (strategies, targets, reporting).

SHADES OF GREEN

Based on our review, we rate the Genova's green finance framework

CICERO Medium Green.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Genova's framework to be **Good**.



GREEN BOND and GREEN LOAN PRINCIPLES

Based on this review, this Framework is found in alignment with the principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated December 2020. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green 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.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'shades of green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.



Brown is allocated to projects and solutions that are in opposition to the long-term vision of a low carbon and climate resilient future.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available



New infrastructure for coal

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green finance are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



2 Brief description of Genova's green finance framework and related policies

Genova Property Group AB ("Genova") is a Swedish public limited real estate company. The company owns, manages and develops commercial, community service and residential properties in Greater Stockholm and the Uppsala areas in Sweden. The company is active across the entire chain of property investments, from acquisitions to management.

As of 30 September 2020, Genova owns investment properties comprising a lettable area of 187,000 m² worth SEK 4,324m. Investment properties consist of 50% community service properties and 50% commercial buildings (incl. offices, grocery stores, and logistics). Including ongoing construction, planned projects and ongoing cooperative apartments projects, the total value is SEK 5,224m. Genova's portfolio of project properties comprises 5,777 building rights (i.e., residential properties and mainly rental apartments in Greater Stockholm and Uppsala region) with a total lettable area of 368,000 m² with an estimated value at completion of approximately SEK 18,000m.

Environmental Strategies and Policies

Genova has a code of conduct and a sustainability policy that involve employees and tenants as well as suppliers and contractors.

Genova supports the principles of the UN Global Compact and seeks to contribute to the global agenda in line with the UN Global Sustainable Development Goals ("SDGs"). Climate resilience assessments is a part of the zoning plans in Sweden.

Genova's long-term target is to environmentally certify all newly constructed properties in the property portfolio. Currently about 2 000 m² are certified, but ongoing certification (mainly according to the Nordic Swan label) covers another 40 000 m². The certification is a useful tool in creating long-term management and improving the properties' environmental performance, while at the same time reducing the company's carbon footprint. Genova currently works with certification according to Miljöbyggnad and Nordic Swan Ecolabel for residential buildings, and LEED and BREEAM for non-residential properties. Genova does not currently report according to GRI. Instead, energy and environmental reporting is in accordance with the various certificates when applicable.

With sustainability in focus, wood is the prioritized choice of material for Genova¹. In addition to wood being a renewable and resource-efficient material that stores carbon, there are also health benefits to wooden houses in terms of indoor climate and sound environment. Wood also provides faster construction processes, less noise at the construction site and fewer transports. Building with wood therefore makes it possible for Genova to offer attractive residential units while also reducing its carbon footprint.

Today, there is an increased will and ambition among Genova's tenants to work together for a more sustainable society. Therefore, the Company offers green leases, which means that the tenant together with Genova sets up a tangible action plan with measures that can contribute to a better environment.

¹ About 12-15 000 m² are currently wooden buildings, which equals about 8% of the property portfolio.



Use of proceeds

Genova's green finance framework has been developed in alignment with the 2018 Green Bond Principles ("GBP")² and the 2018 Green Loan Principles ("GLP")³. The Framework is applicable for issuance of green finance instruments including green bonds, green loans and other types of debt instruments where net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing eligible assets in Sweden with clear environmental benefits. The issuer informs us that the majority of financing will be new financing for new buildings.

The real estate sector is the single largest energy consuming sector in the EU, responsible for about 40% of total energy usage and 36% of total carbon emissions. Investing in green and energy efficient buildings thus play a key role in the energy transition. Eligible assets under Genova's framework belong to either of the categories "Green and energy efficient buildings", "Energy efficiency" or "Clean transportation". Targeted environmental objective according to the EU Taxonomy⁴ for categories "Green and energy efficient buildings", "Energy efficiency" and "Clean transportation" is Climate Change Mitigation. The issuer informs us that the majority of the financing will be for the category "Green and energy efficient buildings".

The proceeds of Genova's green finance instruments will not be used to finance either fossil fuel energy infrastructure or generation, nuclear energy generation, weapons and defence industries nor potentially environmentally negative resource extraction, gambling or tobacco.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green funding. The broader the project categories, the more importance CICERO Green places on the governance process. The evaluation and selection process for green eligible assets is also a key process in ensuring that the amount equivalent to the net proceeds from green finances is allocated to assets and expenditures which meet the criteria in the framework. The evaluation/selection criteria are subject to external advice or verification in the certification process in newly constructed buildings.

The selection of green eligible assets is managed by a dedicated group, the Green Finance Committee ("GFC"). Members of the GFC consist of members from the Construction, Property Management and Finance departments. Genova will assure that sustainability expertise always relies within the GFC⁵. All decisions are made in consensus, and applies to the selection process of green eligible assets as well. A list of green eligible assets is kept by the Finance department who is correspondingly responsible for keeping it up to date.

Genova will follow the development of the green finance market and manage any future updates of the green finance framework to reflect current and future market practices (e.g., the upcoming EU Taxonomy) and potential updates to the GBP and GLP.

² 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/>

³ Green Loan Principles published in March 2018 are voluntary process guidelines for issuing Green loans established by Loan Markets Association ("LMA"), https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

⁴ EU Taxonomy Report: technical Annex March 2020, https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

⁵ Genova also works with external environmental consultants in their daily work, for example in the certification process.



The list of green eligible assets is monitored on a regular basis during the term of the green bonds and loans to ensure that the proceeds are sufficiently allocated to eligible assets. This is also a responsibility of the GFC.

Management of proceeds

CICERO Green finds the management of proceeds of Genova to be in accordance with the Green Bond and Green Loan Principles.

Equivalent to the net proceeds from Genova'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 contain the list of green eligible assets. Information available in the spreadsheet will in turn serve as basis for regular reporting described below.

All green finance instruments issued by Genova will be managed on a portfolio level. This means that a green finance instrument will not be linked directly to one (or more) pre-determined green eligible assets. The company will keep track and ensure there are satisfactory green eligible assets in the portfolio. Assets can, whenever needed, be removed or added to/from the green eligible assets' portfolio. Any unallocated proceeds will be temporary held by Genova and placed on the company's ordinary bank account.

Reporting

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

To be fully transparent towards investors and other stakeholders, Genova commits to regular reporting until no green finance instruments are outstanding. The CFO will be primary responsible for the reporting, but supported by Head of New Development. The allocation and impact reporting be done on a portfolio basis. Genova will report the total outstanding amount of green finance instruments and will give examples of projects financed. The report will be published on the Genova's website on an annual basis in connection with the publishing of the annual report and will cover the following areas:

Allocation of proceeds reporting

- Total amount of green finance instruments issued
- Share of proceeds used for financing/re-financing and share of proceeds used for the different categories
- Share of unallocated proceeds (if any)

Impact reporting

Genova intends to report on quantitative impact indicators where reasonable and relevant data is available for the three main categories:

Green and energy efficient buildings:

- Information on the annual energy usage (kWh/m²)
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)
- Energy performance certificate class, if any
- Type of certification including level, if any (e.g., Miljöbyggnad Silver, BREEAM Very Good, etc.)

Energy efficiency:

- Amount of annual energy saved per m².



- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

Clean transportation:

- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

Genova will use both local figures and Nordic energy mix for electricity and heat when calculating greenhouse gas emission reductions. Allocation of proceeds will be subject to an annual review by an external part/verifier. The verification report provided by the external part will be published on Genova's website.



3 Assessment of Genova’s green finance framework and policies


The framework and procedures for Genova’s green finance 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; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Genova should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Genova’s green finance framework, we rate the framework **CICERO Medium Green**.

Eligible projects under the Genova’s green finance 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 finances aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) and the Green Loan Principles (GLP) 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
Green and energy efficient buildings 	All new construction, existing and acquired buildings that either; <ul style="list-style-type: none"> • have or with the objective to receive one of the following certifications including the lowest indicated levels: <ul style="list-style-type: none"> - Miljöbyggnad Silver and/or Nordic Swan Ecolabel - BREEAM New construction Very Good and/or LEED Gold, and with an energy consumption of at least 25% below the applicable national building regulation - or an equivalent level from another well recognized certification scheme which is subject for evaluation and approval from the Green Finance Committee, and with an energy consumption of at least 25% below the applicable national building regulation 	Medium Green <ul style="list-style-type: none"> ✓ The building criteria are good, but do not represent the highest standard levels. According to IEA, efficiency of building envelopes needs to improve by 30% by 2025 to be aligned with the Paris target. ✓ In addition to climate issues, Miljöbyggnad, LEED, BREEAM and others cover a broader set of issues, which is important to overall sustainable development. Miljöbyggnad also has specific energy efficiency requirements for each certification level. That is not the case for LEED and BREEAM. ✓ The Nordic Swan Ecolabel assesses the entire life cycle of the buildings, from raw materials to production, use, disposal and recycling. ✓ Refurbishment of existing buildings are often better than new constructions from





	<ul style="list-style-type: none"> • built with energy-efficient engineered wood products⁶ and with an energy consumption of at least 25% below the applicable national building regulation • have an energy performance certificate (EPC) of class A or B • have major renovations resulting in reduced energy consumption of at least 30%. 	a climate point of view, but should ideally come with greater improvements in energy efficiency.
Energy efficiency 	Energy retrofits such as heat pumps, converting to LED lightning, installation of onsite solar panels, improvements on ventilation systems, improvement and implementation of control systems, extension of district heating and cooling systems.	Dark Green ✓ District heating will involve an element of fossil fuel or plastic fragments in waste. This is however small in Sweden.
Clean transportation 	Installation of charging stations for hybrid and electric cars.	Dark Green ✓ Note that hybrid cars will involve a fossil fuel element.

Table 1. Eligible project categories

Background

As member of the EU, Sweden is subject to the EU’s climate targets of reducing collective EU greenhouse gas emissions by 40% by 2030 compared to 1990 levels, increasing the share of renewable energy to 32% and improving energy efficiency by at least 32.5%.⁷ The European Green Deal aims for carbon neutrality in 2050.⁸ Sweden has developed a National Energy and Climate Plan (NECP) in which it outlines the targets and strategies in all sectors.⁹ These strategies include measures such as increasing renewable energy capacity, increasing energy efficiency, facilitating the large scale implementation of clean transportation alternatives, and increasing carbon sinks through reforestation and the LULUCF sector. Non-ETS emissions, of which public buildings and households are a part, must decrease by 63% by 2030.

The construction and real estate sector have a major impact on our common environment. According to the National Board of Housing, Building and Planning’s environmental indicators, it accounts for 32% of Sweden’s energy use, 31% of waste and 19% of domestic greenhouse gas emissions. Calculations from Sveriges Byggindustrier indicate that the climate impact of new production of a house is as great as the operation of the house for 50 years. IEA reports that the efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand – in addition to improvements in lighting and appliances and increased renewable heat sources.¹⁰ The energy efficiency of buildings is dependent on multiple factors including

⁶ Energy-efficient engineered wood product is based on locally produced Swedish wood.

⁷ https://ec.europa.eu/clima/policies/strategies/2030_en

⁸ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁹ https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

¹⁰ <https://www.iea.org/reports/building-envelopes>



increasing affluence and expectations of larger living areas, growth in population and unpredictability of weather, and greater appliance ownership and use. Additionally, approximately half of life-cycle emissions from buildings stem from materials/construction. The other half stems from energy use, which becomes less important over time with the increasing adoption of off-grid solutions such as geothermal and solar. All of these factors should therefore be considered in the project selection process. In addition, voluntary environmental certifications such as LEED and BREEAM or equivalents measure or estimate the environmental footprint of buildings and raise awareness of environmental issues. These points-based certifications, however, fall short of guaranteeing a low-climate impact building, as they may not ensure compliance with all relevant factors e.g., energy efficiency, access to public transport, climate resilience, sustainable building materials. Many of these factors are covered under the World Green Building Council's recommendations for best practices for developing green buildings.¹¹ CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

The Exponential Roadmap¹² lays out a trajectory for reducing emissions by 50% by 2030 and requires that emissions reductions strategies within the buildings sector be rapidly scaled up. The roadmap advocates for standardised strategies that are globally scalable within areas such as new procurement practices for construction and renovation that require dramatically improved energy and carbon emission standards, developing new low-carbon business models for sharing space and smart buildings to achieve economies of scale, and allocating green finance funding for sustainable retrofitting and construction.

Choice of building materials is becoming more important for climate footprint than heating/cooling and power. A large number of LCA studies show that wood-frame building results in lower primary energy and GHG emission compared to non-wood alternatives including concrete and steel. Less energy, in particular fossil fuels, is needed to manufacture wood-based building materials compared with alternative non-wood materials. Wood-based materials use primarily biomass residues for processing energy. Wooden materials also store carbon during their lifetime, temporarily sequestering carbon from the atmosphere. Large amounts of biomass residues are produced during the manufacture and end-of-life of wood products, and these can be used to replace fossil fuels. Hence, wood-based buildings are appropriate for long-term strategies for reducing fossil fuel use and GHG emissions when combined with sustainable forestry¹³. Quantitative estimates are imprecise, but some studies indicate energy savings of the order of one third in the construction phase of wood buildings compared to buildings using mainly other materials.

EU Taxonomy

In March 2020, a technical expert group (TEG) proposed an EU taxonomy for sustainable finance that included a number of principles including a “Do-No-Significant-Harm” (DNSH) clause and safety thresholds for various types of activities.¹⁴ In November 2020, EU published its draft delegated act to outline its proposed technical screening criteria for climate adaptation and mitigation objectives, respectively, which it was tasked to develop in order to take the Taxonomy after it entered into law in July¹⁵. The Do-No-Significant-Harm criteria include among other things measures such as ensuring resistance and resilience to extreme weather events, preventing excessive water consumption from inefficient water appliances, ensuring recycling and reuse of construction and demolition

¹¹ <https://www.worldgbc.org/how-can-we-make-our-buildings-green>

¹² https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap_1.5.1_216x279_08_AW_Download_Singles_Small.pdf

¹³ R&D Fund for public real estate, The Swedish Association of Local Authorities and Regions (2016): Climate impacts of wood vs. non-wood buildings.

¹⁴ Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020.

https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en

¹⁵ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW



waste and limiting pollution and chemical contamination of the local environment. Among the stricter draft DNSH criteria are constraints on type of land that can be used for buildings (no forest, fertile soil or land with high biodiversity). In addition, the buildings should not be dedicated to extraction, storage, transport or manufacture of fossil fuels.

CICERO Green will not here verify Genova's framework against the full draft EU taxonomy, but notes that the updated proposed taxonomy includes specific thresholds for the real estate sector, some of which can briefly be summarized as follows:

1. The design and construction of new buildings needs to ensure a net primary energy demand that is at least 20% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation.
2. Ownership or acquisition of buildings built before 2021 should have an Energy Performance Certificate label A.
3. Renovations should deliver at least 30% primary energy savings.
4. Large non-residential buildings should have dedicated energy management system.

It is currently unclear what will be in the final taxonomy and how this will apply to Sweden, but it is reasonable to expect that new buildings with energy use 20% below present regulation would be aligned with the taxonomy. The screening criteria for ownership and acquisition of buildings built before 2021 are strict (EPC A). Eligible buildings with energy performance label B would not comply with the taxonomy screening criteria. Energy label B in Sweden implies an energy performance between 50 and 75% of current regulations.

It is anticipated that activities related to energy efficiency, including installation of solar panels, heat pumps, extension of district heating and cooling, are to be classified as sustainable according to the EU Taxonomy.

Governance Assessment

Four aspects are studied when assessing the Genova's governance procedures: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) 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. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

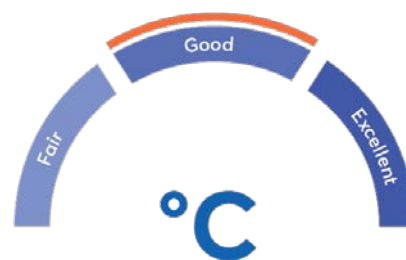
Genova currently works with certifications according to Miljöbyggnad and Nordic Swan Ecolabel for residential buildings, and LEED and BREEAM for non-residential properties with the aim of certifying all newly built buildings. Policies towards subcontractors and supply chain considerations are included under the Nordic Swan label. Genova currently does not perform lifecycle assessments. Genova has carpools connected to each project, as well as electric and regular bicycles, but have no explicit policy regarding access to public transport from green eligible projects. According to the issuer, they do not have any controversial projects, and will not include any in the future.

Genova as a company does not have any quantitative energy or emission targets for neither the short nor the longer term and these data are currently not reported. Instead, energy and environmental reporting is in accordance with the various certificates for the green assets. Genova is not aligned with the guidelines from TCFD. It is also unclear whether the type of land is assessed in the selection of projects, cf. the DNSH clause in the proposed EU Taxonomy. Otherwise, the selection process is clear and the impact reporting from green finance instruments (on



a portfolio basis) good with relevant key performance indicators. Climate risks are properly accounted for within the Swedish laws and regulations for building projects.

The overall assessment of Genova's governance structure and processes gives it a rating of Good.



Strengths

The focus on wooden building is a strength in the real estate sector. Choice of building materials is becoming more important for climate footprint than heating/cooling and power as the district heating and electricity becomes steadily more low carbon.

Energy saving renovations for existing properties that result in buildings lowering their primary energy demand with 30% are also a strength and probably to be classified as sustainable within the EU Taxonomy. The further minimum requirements in terms of energy savings compared to an initial situation or an existing standard is good. The explicit exclusion of fossil fuel and other harmful technologies is a further strength of the framework. Finally, a commitment to impact reporting increases transparency to investors.

Weaknesses

We note that Genova has no quantitative energy or emission targets nor internal carbon pricing. There is also a lack of scenario analysis whether or not formally in alignment with the TCFD recommendations.

Pitfalls

The CICERO Dark Green shading is difficult to achieve in particular in the real estate sector because buildings have a long lifetime. CICERO Dark Green shading in this 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. The issuer is encouraged to also consider construction phase emissions and systematically work on reducing emissions related to transportation to and from the properties. Shopping malls in particular have the potential to indirectly generate considerable amount of traffic. The green buildings eligible under Genova's framework are falling short of the long-term vision of zero-energy buildings or passive houses.

The Green building criteria in Genova's green finance framework build on Miljöbyggnad Silver and/or Nordic Swan Ecolabel or BREEAM new construction Very Good and/or LEED Gold, or equivalent certification schemes. In all cases with an energy consumption of at least 25% below the applicable national building regulation which is quite strict in Sweden. Alternatively, the buildings should have an energy performance certificate (EPC) of class A or B. This may not quite guarantee an energy consumption of at least 25% below the applicable national building regulation.

We note that district heating is the predominant heating method in Sweden. Also, most of the district heating companies seek to minimize the use of oil or other fossil fuels. However, when waste-to-energy is utilized it is sometimes difficult to know the fossil fraction of the waste stream, e.g., the amount of plastics. Again, many Swedish district heating companies have strong policies to minimize these types of fractions, but without specific information of suppliers of district heating, it is difficult to guarantee totally against the use of some fossil fractions.

Genova will use both local figures and Nordic energy mix for electricity and heat when calculating greenhouse gas emission reductions or emissions avoided. The Nordic mix is relatively high compared to many local emission



factors in Sweden. The consistent use of grid factors is important to avoid double counting and other inconsistencies in the emission accounts.

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. From the project categories in table 1, an example is energy efficiency investments in buildings which in part may lead to more energy use or a failing to reach the potential reductions. Genova's work with its property users can actively mitigate the risk of rebound effects related to energy efficiency.

In a low carbon 2050 perspective the energy performance of buildings is expected to be improved, with passive and plus house technologies becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. Genova's green finance framework is not quite there yet, but is taking valuable steps towards this long-term vision. More stringent criteria would have been required for a darker shading.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Genova Green Finance Framework December 2020 v.3_ clean	Genova's Green Finance Framework, dated December 2020
2	Annual report 2019	Genova's Annual report 2019, https://mb.cision.com/Main/13559/3073001/1219310.pdf
3	genova-bolagsstyrning-2019	Genova's company governance documentation (from the Annual report), https://genova.se/investors/corporate-governance/
4	Genovas cornerstones	Genova's key values and principles



Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green 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 Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent 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).

