

# Green Bond Framework

September 2020



*Magnolia Bostad develops new housing in Sweden's growth areas and major cities. The company creates modern homes and living environments while also engaging in social activities and projects in the areas where it operates.*

*This business model allows Magnolia Bostad to deliver complete offers of rental apartments, tenant-owned apartments, residential care facilities and hotels to municipalities that want to develop new neighbourhoods. Together with selected partners, Magnolia Bostad creates sustainable homes and residential areas.*

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# Introduction to this Green Bond Framework

Of total emissions from a building during its lifetime, about 40 per cent comes from the construction phase. The contribution that Magnolia Bostad can make at this early stage to decrease emissions therefor has a large positive impact. That is the main reason as to why Magnolia Bostad will issue Green Bonds.

This framework is aligned with Green Bond Principles as of 2018 and will as such contain information regarding use of proceeds, process for project selection, management of proceeds and Impact reporting. The Second Opinion that Cicero Shades of Green has made of this framework is available on the company's website. Our auditor will make a limited assurance as to the allocation of proceeds in the impact report.





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## Sustainability at Magnolia Bostad

The real estate sector accounts for a large share of Sweden's total carbon dioxide emissions. Therefore, it is paramount for Magnolia Bostad to actively minimise the negative climate impact that our operations cause and contribute to minimising emissions and negative impact from this sector overall. Magnolia Bostad paves the way for all buildings to be certified by means of Swedish Green Building Council's silver certification (or higher), Nordic Swan Ecolabel or similar as well as engage with other companies in this industry to contribute to change. To mention a few examples, Magnolia Bostad is part of the real estate and building sector's "Färdplan för en klimatneutral verksamhet år 2045" which means the company will aim to be climate neutral by 2045 and contribute to a climate neutral sector. Magnolia Bostad also reports according to the GRI standard level "core" and is a member of the Swedish Green Building Council (SGBC).

Magnolia Bostad has released a sustainability report since 2017 and conducts a new stakeholder dialogue every third year. In spring 2020 the company did a new stakeholder dialogue and identified seven material areas to underpin its sustainability work. The company will adapt the sustainability reporting after the new material areas. The seven key areas and the subsequent sustainability strategy (also based on the GRI Standards, United Nation's Global Compact

and Sustainable Development Goals) are endorsed by the board of directors and management at Magnolia Bostad.

Magnolia Bostad's environmental policy, approved by the CEO, follows the intentions of ISO14001 and ISO9001. Magnolia Bostad expect all employees and business partners to abide by it and other goals connected to minimising our negative environmental impact. Together with the code of conduct, the environmental policy part of all our larger supplier agreements.

Magnolia Bostad actively lowers the negative environmental impact of the company's suppliers by expressing demands regarding waste management, transportation as well as the re-use and re-cycling of materials. To grant Magnolia Bostad greater ability to choose sustainable suppliers, the company has developed a process for purchases.

Magnolia Bostad's broad sustainability work entails many different focus areas, of the greatest interest for this framework is the life cycle analysis (LCA) that Magnolia Bostad performs on chosen projects. The purpose is to develop the choice of sustainable materials and the environmental certification of buildings.

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## Life Cycle Analysis & Sustainable materials

For Magnolia Bostad to understand how to reach its goal of becoming climate neutral by 2045, the company conducts life cycle analysis (LCA) for selected projects. The environmental impact of construction solutions for otherwise identical buildings can by means of LCA be confirmed to be varying. For example, the construction phase is the most crucial phase from an environmental standpoint and concrete has the highest negative impact.

Wood has proven to be a satisfactory replacement for concrete in many cases, which is why Magnolia Bostad develops sustainable timber structures to use in some projects in co-operation with Derome.



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# Environmental certification

Magnolia Bostad develops resource effective buildings using materials that minimise the building's negative environmental impact. The company strives to make sure to prepare all buildings for certification according to Swedish Green Building Council's silver certification (or higher), Nordic Swan Ecolabel or the equivalent.

The company minimises the risk of buildings not qualifying for certification by means of ongoing supplier dialog. Magnolia Bostad also employs the services of consultants specialising in environmental certification (miljörevisorer) at two different phases, the projection phase and the production phase. By performing audits at an early stage, Magnolia Bostad minimises the risk of any building not reaching the demands for certifications. Once a year Magnolia Bostad performs a comprehensive total environmental audit on one contractor for a chosen project.

Energy efficiency is a natural part of minimising Magnolia Bostad's negative environmental impact. Depending on the nature of the project, applicable ones are particularly well isolated windows, ventilation, solar panels and geothermal heating.



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## Use of Proceeds

Proceeds will, in part or in full, finance eligible assets and projects as per the 3.1 section of this framework. In particular, UN Sustainable Development Goal 7 Sustainable cities and communities and 13 climate action will be targeted with these projects.

Magnolia Bostad develops residential areas for the many people. The mix of rental, tenant owned flats, family homes, hotels, pre-schools and residential care facilities cater to a broad group of people. Magnolia Bostad thereby promotes inclusion for all and sustainable urbanisation. The company also enables waste management and non-car dependant transportation solutions.

As a consequence of climate change, sea levels are expected to rise, and extreme weather become more common. Magnolia Bostad takes these climate related risks into account when developing new houses. The company cooperates with others to find climate resilience solutions for the communities. Magnolia Bostad also partakes in various forums to learn and spread knowledge of the climate related challenges that the real estate industry may face due to climate change.



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## Green buildings

The four asset and project types eligible for funding by means of Green bond proceeds fall under the category of Green Buildings.

Firstly, proceeds may be used to fund the projects in Magnolia Bostad's portfolio of planned projects ("exploateringsportfölj"), which are planned to at least reach the environmental standard of either Swedish Green Building Council's silver certification (or higher) or Nordic Swan Ecolabel.

Secondly, proceeds may be used to fund the part cost of any joint venture covered by Magnolia Bostad, in the cases where ownership is at least half of the venture to ensure that Magnolia Bostad's high environmental standard is enforced.

Thirdly, proceeds may be used to fund customer receivables in projects of Magnolia Bostad's which obtain at least an environmental certification of Swedish Green Building Council's silver certification (or higher) or Nordic Swan Ecolabel before the new owner is moving in.

Lastly, proceeds may be used to fund Magnolia Bostad's portfolio of planned projects constructed mainly in wood and to be certified as Swedish Green Building Council's silver certification (or higher), or to fund customer receivables in project constructed in wood before the new owner takes possession of the building. The verification of the certification is done after two years and is made by the new owner of the project.

Should a project or asset at any given time no longer be deemed as eligible as per the above stated criteria, it will be replaced.



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## Selection of eligible Green projects and assets

Magnolia Bostad has established a Green Bond Committee to oversee that only assets and projects eligible as per section 3.1 of this framework are funded by proceeds from any Green Bond.

The Green Bond Committee consists of the CFO, the Manager of Sustainability as well as the Head of Legal. Each member of the committee has the right to veto against any asset or project. The group shall meet no more seldom than twice yearly, and notes of which projects and assets they deem as eligible per this framework will be saved.

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## Management of Proceeds

Magnolia Bostad will keep a registry of all Green Bonds issued under this framework for the purpose of monitoring the allocation of the amount equal to the net proceeds to eligible projects and assets.

Magnolia Bostad will over the duration of the company's outstanding Green bonds build up and maintain an aggregate number of projects and assets in the Green register that exceeds the aggregate net proceeds of all outstanding Green bonds of Magnolia Bostad.

The total outstanding net proceeds of Magnolia Bostad's Green bonds may at times temporarily exceeds the value of the eligible assets and projects in the Green register. Any such portion will be held in accordance with Magnolia's normal liquidity management policy.

The Green Funding Register is maintained by Magnolia Bostad's Green Bond Committee and will form the basis of the impact report.

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## Impact reporting

Magnolia Bostad will yearly for as long as it has Green Bonds outstanding make publicly available on its website an impact report. The impact report will enclose information regarding both allocation and impact (measured where feasible, otherwise estimated). Magnolia Bostad will, to the extent possible, report on follows metrics amongst others:

- The total aggregated sum of Green bonds issued
- A list of all projects that has been allocated proceeds from Green Bonds, aggregated on a Use of Proceeds category level
- For the project portfolio, the proposed environmental certificate and information regarding whether an independent environmental consultant has overseen the building
- For all completed buildings i) the environmental certification obtained before the new owner takes it into possession ii) annual energy saved per square meter (energy consumption compared to relevant building code) and iii) if applicable, the calculated annual renewable energy possible to produce at the building, such as solar
- For buildings made predominantly out of wood, Magnolia Bostad will report on the Co2 emissions avoided by using wood compared that which would have been the case should materials more commonly seen have been used instead

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