



NP3 Fastigheter AB Green Bond Second Opinion

September 11, 2020

NP3 Fastigheter AB (“NP3”) is a Swedish real estate company founded in 2010, that owns, develops, and manages commercial properties primarily in northern Sweden. The company currently has a total lettable area of 1,392,000 m², where the majority (39%) of tenants are within the industry sector. Other property uses include commerce, offices, logistics and “other”.

NP3’s green bond framework includes eligible assets in two categories: Green and energy efficient buildings, and Energy efficiency. Both categories guarantee the implementation of energy efficiency measures. The buildings category guarantees at least a 20% improvement from national BBR regulations. Investors should be aware that the points-based systems of LEED and BREEAM do not necessarily guarantee that all relevant climate mitigation and resilience factors, e.g., clean transportation accessibility, charging infrastructure, responsible and local materials sourcing are accounted for. NP3 has indicated a commitment to consider these factors for future projects prior to project selection, and CICERO Green encourages NP3 to implement a formalised approach for conducting life cycle assessments. Note that certain tenants of NP3’s buildings are related to the fossil-fuel industry, e.g., car manufacturing and storage companies.

While NP3 demonstrates a good awareness of environmental concerns and has a sustainability policy in place, which suppliers and contractors are also required to adhere to. Project selection is consensus-based. Both allocation and impact reporting are relevant and externally reviewed on an annual basis. NP3 currently reports on energy consumption – including their tenants’ electricity and heat consumption, unlike many of their peers – and has a target to improve energy efficiency by 2% each year. We note, however, that this target does not align with the IEA Sustainable Development Scenario requiring a 3.6% annual improvement. They also do not have emissions reductions targets or further climate goals. In addition, NP3 does not currently implement the TCFD recommendations, nor have they undertaken climate scenario analysis or risk screening.

Based on the overall assessment of the projects that will be financed under this framework, and governance and transparency considerations, NP3’s green finance framework receives a **CICERO Medium Green** shading and a governance score of **Fair**. To improve the framework, NP3 could work to strengthen their eligibility criteria by including requirements for climate resilience, access to public transportation, responsible sourcing of materials, implementing passive house technology. Implementing more formalised life-cycle screening processes and climate risk analysis would further improve the framework.

SHADES OF GREEN

Based on our review, we rate NP3’s green bond framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in NP3’s framework to be **Fair**.



GREEN BOND 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 September 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 bond 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 bond 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 NP3's green bond framework and related policies

NP3 Fastigheter AB ("NP3") is a Swedish real estate company founded in 2010, that owns, develops and manages commercial properties primarily in northern Sweden. The company operates through renting out premises, carrying out construction work and refining existing properties, and acquiring and divesting real estate. As of June 30, 2020, NP3's portfolio amounted to 1,392,000 m² of lettable area in industry (39%), commerce (29%), offices (14%), logistics (7%), and "other" (11%). The Company has 1800 tenants and 372 properties in six business districts: Sundsvall, Gävle, Östersund, Umeå and Luleå.

Environmental Strategies and Policies

NP3 Fastigheter works to integrate sustainability and environmental concerns in an effort to reduce their buildings' environmental impact, specifically by focusing on reducing energy consumption. The company has identified several of the UN's Sustainable Development Goals as relevant to their mission and to this framework, including Goal 7- Affordable and clean energy, Goal 8- Decent work and economic growth, Goal 11- Sustainable cities and communities, and Goal 12 - Responsible consumption and production.

Energy consumption from the electricity and heating in the buildings is monitored and used to calculate the carbon dioxide emissions, as well as improvements in energy efficiency. NP3 has a goal to reduce energy consumption by 10% by between 2019-2024, corresponding to a 2% reduction per year. From 2017 to 2019, carbon dioxide emissions declined from above 27 kgCO₂e /m² to just below 22 kgCO₂/m², and energy efficiency in 2019 was 159 kWh/m², which is an increase by 2.4% from the 2018 level, although efficiency decreased by 0.4% between 2017 and 2019. Since January 2020, the company has only purchased CO₂-neutral electricity, and starting in 2021, electricity will be guaranteed through certificates of origin. NP3 is working to switch its portfolio away from fossil-fuel heating and energy sources. Suppliers, contractors, and subcontractors must adhere to NP3's sustainability policy as well as the relevant UN SDGs, and products and services that minimize environmental impact are prioritized. This includes minimizing waste from construction. Although assessments of climate risk and resilience have not been conducted, NP3 has been developing long-term solutions to address its properties' environmental risks and liabilities.

Six buildings are currently certified by environmental certifications, five with Green Building and one with BREEAM, and one existing project is planned to be certified. The remaining existing buildings are not certified but will be certified if they are subject to major renovations. The company has a goal to ensure environmental certification for major renovations and new constructions. NP3 reduces energy consumption by ensuring tenants pay for their own energy use, and by supporting the implementation of energy efficient appliances and heat sources. Examples of investments in energy efficient measures include: the implementation of insulating glass windows in a property in Östersund, leading to energy savings of 22%; the installation of heat pump and the conversion of ventilation and heating in a property in Sundsvall for an estimated energy saving of 25%; and the installation of two heat pumps and free-cooling systems during the renovation of a building in Sundsvall for an energy saving of 50%.

NP3's sustainability policy is based on the UN Global Compact. The company has not yet implemented TCFD recommendations and does not currently report according to GRI/Global Compact Standards.



Use of proceeds

An amount equivalent to the net proceeds from NP3 Fastigheter's green bonds will be used to finance or refinance (mostly refinance), in part or in-full, new and existing eligible assets within the green buildings and energy efficiency categories that contribute to a low-carbon future and that display clear environmental benefits. Examples of projects include new construction or renovation of buildings, and energy retrofits. The vast majority of financing will go towards existing assets in the "Green and energy efficient" categories.

These projects are aimed to contribute towards the UN Sustainable Development Goals: 7 - Affordable and clean energy, 8 - Decent work and economic growth, 9- Industry, innovation and infrastructure, and 11 – Sustainable cities and communities.

Specifically excluded from the framework are investments related to fossil fuel heating and energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling, and 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 finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

The selection of eligible assets will be managed by the Green Bond Committee (GBC), which consists of the Head of Property Management, the CFO and the controller. The company has informed us that the Head of Property Management has the relevant environmental expertise. Decisions are consensus-based. There are policies and routines in place for managing ESG risks, and an evaluation of environmental risks will be carried out before the initiation of new projects. The list of eligible assets will be kept by the Finance Department, who will also keep it updated. This list will be monitored on a regular basis to ensure that the proceeds are sufficiently allocated to the eligible assets. NP3 does not expect any controversial projects to arise. The selection process will be externally reviewed.

The GBC is also responsible for following the development of the green bond market and managing future updates of the Green Bond Framework to reflect current and future market practices, e.g., the upcoming EU Taxonomy.

Management of proceeds

CICERO Green finds the management of proceeds of NP3 to be in accordance with the Green Bond Principles.

An amount equivalent to the net proceeds from the green bonds will be systematically tracked on a spreadsheet that will list all issued amounts. Proceeds will be managed on a portfolio level and will not be linked directly pre-determined eligible assets. Assets may be removed from or added to the eligible assets portfolio, e.g., if properties are divested or acquired, or if existing buildings are renovated and become environmentally certified.

Although it is unlikely proceeds will remain unallocated, these will be temporarily held in the company's ordinary bank account, and the portfolio balance of unallocated proceeds will be disclosed. NP3 has further specified that these will not be directed towards direct or indirect investments in e.g. the fossil fuel industry.



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.

As long as there are green bonds outstanding, NP3 will conduct annual allocation and impact reporting, led by the CFO and supported by the GBC. These reports will be made available on the company's website.

Allocation reporting will be on a portfolio-basis and will not be linked to individual bonds. The report will include the total amount of green bonds issued, the share of proceeds used for financing/re-financing, the share of proceeds used for each category, and the share of unallocated proceeds.

Impact reporting will, where feasible and where data is available, include quantitative performance indicators including:

- Green and energy efficient buildings
 - Energy usage in kWh/m²/year
 - Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)
 - Energy performance certificate class (A or B)
 - Type of certification including level, if any (BREEAM, Green Building, etc.)
- Energy Efficiency
 - Amount of energy saved per m²
 - Estimated annual GHG emissions reduced or avoided (tCO₂e)

The methodology used will be disclosed in this reporting, as well as in the annual report. Buildings will only ever receive financing from one category, so there is reduced risk for double-counting. Grid emissions factors will be determined according to the Nordic energy mix for electricity purchases in 2020, and through certificates of origin for electricity purchases from 2021. For heating, the relevant grid emissions factors from local district heating companies will be used.

Both the allocation and impact reports will be externally reviewed, and a verification report provided by the external reviewer will be published on NP3's website.



3 Assessment of NP3's green bond framework and policies

The framework and procedures for NP3'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; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where NP3 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 NP3's green bond framework, we rate the framework **CICERO Medium Green**.

Eligible projects under the NP3 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 investors with certainty 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
Green and energy efficient buildings	All new construction, existing and acquired buildings that either have or with the objective to receive: <ul style="list-style-type: none">an energy performance certificate (EPC) A or B¹one of the following certifications including the lowest indicated levels:<ul style="list-style-type: none">GreenBuilding²,Miljöbyggnad Silver³BREEAM Very Good, BREEAM In-Use Very Good, LEED Gold, and with an energy consumption of at least 25% below the current	Medium Green <ul style="list-style-type: none">✓ NP3 has informed us that currently 5 out of the 6 certified buildings in NP3's portfolio are certified with GreenBuilding.✓ The highest shading level, Dark Green, is reserved for the highest building standards such as Zero-Energy buildings and passive houses.✓ 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

¹Statistics from the Swedish National Board of Housing, Building and Planning show that both residential and commercial buildings with an EPC A or B are well within the 15% most energy-efficient buildings in Sweden. See <https://www.boverket.se/sv/energideklaration/energideklaration/bakgrund/statistik-om-energideklaration/>.

² GreenBuilding certified buildings are required to have 25% lower energy demand than national building regulation.

³ Miljöbyggnad Silver requires, among other things, the primary energy demand of residential buildings and commercial buildings to be 20% and 30% lower than the national building regulation, respectively.





	<p>building regulation (Swedish BBR code)</p> <ul style="list-style-type: none"> ○ an equivalent level from another well recognized certification scheme • Major renovations resulting in reduced energy consumption of at least 30%⁴ 	<p>lighting and appliances and increased renewable heat sources⁵.</p> <ul style="list-style-type: none"> ✓ The GreenBuilding and Miljöbyggnad certifications place significant emphasis on energy efficiency. Additional efficiency requirements for LEED and BREEAM certifications ensures that energy efficiency is prioritized. ✓ NP3 has informed us that buildings heated and powered by fossil fuels will not qualify for financing. ✓ Certain important factors such as accessibility to clean transportation, climate risk and resilience, and building materials, may not be sufficiently included under these eligibility criteria. ✓ NP3 has specified that it works to reduce waste and construction emissions. ✓ NP3 has indicated that 39% of tenants are in the industrial and light manufacturing sector. In some cases, this includes manufacturing and storage of fossil-fuel based vehicles.
<p>Energy efficiency</p>  	<p>Energy retrofits such as heat pumps, converting to LED lighting, installation of photovoltaic glass, improvements of ventilation systems, extension of district heating and cooling systems.</p>	<p>Light to Medium Green</p> <ul style="list-style-type: none"> ✓ Financing in this category is solely for individual retrofits. ✓ The issuer informs us that no fossil-based systems will be involved, and no upgrading of fossil fuel technologies will be allowed. District heating systems may contain some fossil elements (plastics) through the use of waste. ✓ Potential rebound and lock-in effects may arise from efficiency improvements. ✓ For a darker shading, efficiency measures should be combined with a minimum efficiency improvement threshold and followed up with auditing.

Table 1. Eligible project categories

Background

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

⁴ Calculated against Swedish national BBR regulations.

⁵ <https://www.iea.org/topics/tracking-clean-energy-progress>



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.

As members 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%.⁶ The European Green Deal aims for carbon neutrality in 2050.⁷ Sweden has developed a National Energy and Climate Plan (NECP) in which it outlines the targets and strategies in all sectors.⁸ 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 building sector accounts for a large share of primary energy consumption in most countries, and the 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.⁹ The energy efficiency of buildings is dependent on multiple factors including increasing affluence and expectations of larger living areas, growth in population and unpredictability of weather, and greater appliance ownership and use. 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.¹⁰ CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

According to the Exponential Roadmap¹¹, which lays out a trajectory for reducing emissions by 50% by 2030, emissions reductions strategies within the buildings sector need to 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 bond funding for sustainable retrofitting and construction.

EU Taxonomy

The proposed EU taxonomy for sustainable finance includes a number of principles including a “do-no-harm clause” and safety thresholds for various types of activities.¹² Do-No-Significant-Harm criteria include 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 waste and limiting pollution and chemical contamination of the local environment. CICERO Green will not here

⁶ https://ec.europa.eu/clima/policies/strategies/2030_en

⁷ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁸ https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

⁹ <https://www.iea.org/reports/building-envelopes>

¹⁰ <https://www.worldgbc.org/how-can-we-make-our-buildings-green>

¹¹ https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap_1.5.1_216x279_08_AW_Download_Singles_Small.pdf

¹² 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



verify NP3's framework against the full EU taxonomy, but notes that the taxonomy includes specific thresholds for the real estate sector, briefly 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 level mandated by national regulations.
2. Ownership or acquisition of buildings built before 2021: Energy performance in the top 15% of similar stock.
3. Renovations should deliver 30% energy savings.
4. Large non-residential buildings should have a dedicated energy management system.

The taxonomy also highlights the importance of lifecycle emissions including a focus on building material such as wood. Energy saving renovations for existing properties that result in buildings lowering their primary energy demand with 30% are also to be classified as sustainable within the EU Taxonomy. It is further 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.

NP3's framework indicates that most of NP3's green financing will be aligned with the EU Taxonomy. For new constructions, the certification criteria all satisfy or exceed the requirement of 20% lower primary energy demand than the level determined by the Swedish BBR national regulations. Existing buildings satisfying the EPC A and B requirement can be considered to be in the top 15% of energy performance, although for new constructions it remains to be seen whether EPC A and B will lead to a 20% lower energy demand than national regulations. Renovations are required to undergo an energy efficiency improvement of 30% under NP3's framework.

The "Energy efficiency" category does not have a specific minimum energy efficiency improvement threshold, but any efficiency improvements will contribute to a total reduction in primary energy demand.

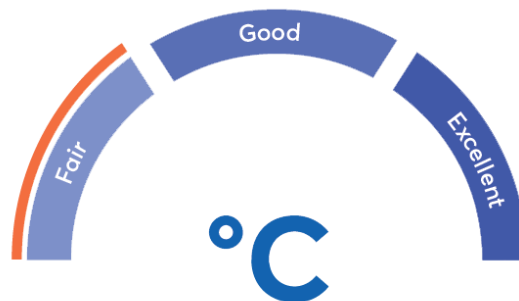
Governance Assessment

Four aspects are studied when assessing NP3's governance procedures: 1) the policies and goals of relevance to the green bond 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.

NP3 demonstrates an awareness of environmental concerns, especially as related to the real estate sector, and has a sustainability policy in place which aligns with the Global Compact. Suppliers, contractors and subcontractors are required to comply with both the UN SDGs and their sustainability policy. Assessments for waste and material sourcing are conducted, although the extent to which these are carried out is variable. NP3 has specified that it will take measures to avoid potential rebound effects and lock-in effects by conducting assessments before any project is initiated. While the yearly 2% energy efficiency improvement target may be considered as ambitious, given the inclusion of tenants' consumption in monitoring and reporting, it does not align with the recommended IEA SDS trajectory of 3.6% per year. NP3 does not report on its emissions and has not identified further emissions reductions targets nor goals for increasing the share of certification of their portfolio.



The management of proceeds is good and aligned with the Green Bond Principles. Project selection decisions are consensus-based (i.e. there is no environmental veto power) and the issuer has stated the Head of Property Management has the relevant environmental competence. The selection process and allocation of proceeds is externally reviewed on an annual basis. The company has not implemented the TCFD recommendations nor GRI reporting standards, but they are members of the Global Compact. Impact reporting includes multiple relevant performance indicators and both allocation and impact reporting are externally reviewed annually. Climate scenario analysis and climate risk screening have not yet been conducted, although NP3 has stated it is developing long-term solutions to address its properties' environmental risks and liabilities.



The overall assessment of NP3's governance structure and processes gives it a rating of **Fair**.

Strengths

The timely decarbonisation of the real estate sector requires vastly accelerated investment in energy efficiency measures. NP3's framework demonstrates a focus on reducing energy consumption and already has demonstrable experience in conducting projects with energy efficiency improvements – they can point to various examples where they have successfully improved energy efficiency by between 20% to 50%.

NP3 strives to incentivise its tenants to reduce their own energy consumption by (1) imposing a “cold rental agreement”, which requires tenants to pay their own electricity and heating bills, and (2) by supporting tenants in implementing energy efficiency measures and environmentally-friendly heating sources. It is commendable that NP3 has included the tenants' consumption in its energy consumption monitoring and reporting – not just the company's consumption – as this provides a better representation of the actual consumption of the buildings in NP3's portfolio.

Weaknesses

CICERO Green finds no material weaknesses in NP3's green bond framework.

Pitfalls

NP3 has indicated that 39% of tenants are in the industrial and light manufacturing sector. In some cases, this includes manufacturing and storage of fossil-fuel based vehicles. Although NP3 is not directly responsible for fossil-fuel emissions from these companies, it does contribute to an increased inherent carbon intensity in NP3's property portfolio.

Under this framework buildings satisfying the EPC A and B criteria will be eligible without any further screening for additional environmental and climate resilience factors.

Fossil-fuel based investments have been excluded, however the extension of district heating and cooling will likely include fossil fuel infrastructure. NP3 has specified that most planned financing is refinancing of existing assets in the “Green and energy efficient buildings” category, and therefore expects not to include fossil fuel-based efficiency improvements under this framework. CICERO Green encourages to more explicitly exclude fossil fuel related assets to provide greater consistency in the framework.



NP3's target of 2% improvement in energy efficiency per year from 2019 to 2024 is not aligned with the International Energy Agency (IEA) recommended Sustainable Development Scenario (SDS) trajectory of 3.6% improvement each year.¹³ CICERO Green recognises, however, that NP3 has included its tenants electricity and heat consumption in the calculation, which is harder for the company to control, but which gives a better reading of the buildings' overall consumption and not just the company's consumption. CICERO Green would encourage NP3 to explore further ways to incentivise greater energy efficiency improvements so that they are also aligned with the IEA SDS trajectory.

Certain screening and assessment processes are lacking in this framework including screening for controversial projects, life cycle assessments for waste and materials sourcing, and climate risk analysis. A lack of climate risk screening makes the company's property portfolio more vulnerable to expected physical climate risks such as extreme weather, flooding and/or drought.¹⁴ CICERO Green encourages NP3 to implement formalized screening processes to minimize environmental impact and risk.

There are currently no additional requirements for clean transportation accessibility e.g., proximity to public transportation, installation of charging infrastructure. Given that NP3's property portfolio is commercial, with a large number of employees commuting to and from the buildings, CICERO Green would encourage NP3 to explore implementing clean transportation infrastructure to encourage greater adoption of clean transportation solutions.

¹³ <https://www.iea.org/reports/world-energy-outlook-2019/energy-efficiency>

¹⁴ ClimINVEST, 2019. "Assessing climate physical risks for financial decision makers". P.23. http://www.carbone4.com/wp-content/uploads/2020/06/ClimINVEST_AssessingPhysicalClimateRisks_Carbone4-2020.pdf



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	NP3 Green Finance Framework. Dated September 2020.	Green Finance Framework for NP3's green bonds.
2	NP3 Fastigheter Annual Report, 2019	Annual report for NP3 Fastigheter from 2019.
3	NP3 Fastigheter Hållbarhet. https://np3fastigheter.se/hallbarhet/	Sustainability Policy for NP3.



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).

