



# Platzer Fastigheter AB Green Debt Second Opinion

August 23<sup>rd</sup>, 2021

**Platzer Fastigheter AB (Platzer) is a Swedish real estate company founded in 1969, but it was not until 2008 that Platzer in its current form was established with a focus on commercial property companies in Gothenburg, primarily in office property.** As of 2020, Platzer owns and develops 69 properties with a total lettable area of approximately 827,000 m<sup>2</sup>, worth SEK 22.5bn and with total rental revenue of SEK 1,142m. Of the total area, offices and shops account for 61%, while industry/warehouses accounted for 39%. The strong focus on both property types and geographical location sets Platzer apart from most other listed real estate companies. In October 2013, Platzer was listed on Nasdaq OMX Stockholm.

**The majority of the proceeds from the green debt will be allocated to Green buildings, but included in the framework are also the categories Renewable Energy, Clean Transportation, Energy Efficiency, Climate Change Adaptation and Pollution Prevention and Control.** Platzer informs us that the majority of the net proceeds are expected to be allocated to existing projects and assets in the Green building category. However, the net proceeds allocated to new projects and assets are expected to increase over time. Eligible new buildings under the framework must have an environmental certification and an energy use at least 20% lower than current regulations. Existing buildings must have an environmental certification and a specific energy use not exceeding 100 kWh/m<sup>2</sup> if built before 2006, 90 kWh/m<sup>2</sup> if built between 2006 and 2010 or 80 kWh/m<sup>2</sup> if built later. Platzer's portfolio of buildings has an average average energy use of 82.5 kWh/m<sup>2</sup>. The criteria for existing buildings, although lower than applicable regulations for the region, allows for specific energy use above the portfolio average, thus potentially degrading this average. Major renovations should achieve a 30% improvement in energy performance.

**Platzer has been carbon neutral since 2011 by compensating all remaining scope 1 and 2 carbon dioxide emissions from property management operations with Gold Standard emission rights.** The goal moving forward is to continue to reduce emissions, both direct and indirect ones, including from construction projects. As part of its contribution to a sustainable future, Platzer has formulated four environmental objectives: All properties must be environmentally certified; in the long term, 100% of the rental value should be green leases; Platzer's carbon dioxide emissions should not exceed 0.5 kg CO<sub>2</sub>/m<sup>2</sup> lettable area; and every year, Platzer aims to reduce its energy consumption by 2%. Platzer has incorporated climate resilience considerations in cooperation with the Swedish Meteorological and Hydrological Institute who delivers data for each property.

Based on the overall assessment of the eligibility criteria in the green debt framework, governance and transparency considerations, the framework receives an overall **CICERO Medium Green** shading and a governance score of **Good**. In order to achieve a darker green shading, the green finance framework would need stronger eligibility criteria in the Green buildings category.

## SHADES OF GREEN

Based on our review, we rate the Platzer's Green Debt Framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green debt framework. CICERO Shades of Green finds the governance procedures in Platzer'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 August 2021. 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.

### 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

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 debt 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 Platzer's green debt framework and related policies

Platzer Fastigheter AB (Platzer) is a Swedish real estate company founded in 1969, but it was not until 2008 that Platzer in its current form was established. Today, Platzer is one of the largest commercial property companies in Gothenburg, primarily in office property. As of 2020, the Company owns and develops 69 properties with a total lettable area of approximately 827,000 m<sup>2</sup>, worth SEK 22.5bn and with total rental revenue of SEK 1,142m. Of the total area, offices and shops account for 61%, while industry/warehouses accounted for 39%. The strong focus on both property types and geographical location sets Platzer apart from most other listed real estate companies. In October 2013, Platzer was listed on Nasdaq OMX Stockholm.

### Environmental Strategies and Policies

Platzer's environmental impact arises both in day-to-day real estate operations and in connection with property and project development. The company therefore focuses on the areas where property management has the greatest impact, such as energy use, waste management and the choice of sustainable material in reconstruction and new construction.

Platzer's sustainability efforts and efforts to limit and reduce the environmental impact of its business are based, among other things, on the UN Sustainable Development Goals for 2030 (SDGs) with particular emphasis on 5, 7, 8 and 11 representing gender equality, affordable and clean energy, decent work and economic growth and sustainable cities and communities, respectively. This is implemented in accordance with ISO 14001:2015. Platzer report energy use, emissions and more according to the GRI standard.

Platzer's real estate portfolio has an average age of over 40 years and thus contains many old buildings. 90% of them are environmentally certified with varying certification levels. Also, the average energy use is quite low at 82.5 kWh/m<sup>2</sup> Atemp<sup>1</sup>. This is what is called 'property energy' or 'landlord energy', i.e., energy used for running the properties, but excluding specific energy used by tenants. Energy supply is almost 50/50 between district heating and electricity, with a smaller amount for district cooling for a total of 74,900 MWh in 2020. Greenhouse gas emissions (Scope 1 plus 2) amounted to 546 tCO<sub>2</sub>e in 2020, representing 0.7 kgCO<sub>2</sub>e/m<sup>2</sup> lettable area. This sum is equally distributed among scope 1 emissions (mainly use of cooling media) and scope 2 emissions (mainly from district heating).

As part of its contribution to a sustainable future, Platzer has formulated four environmental objectives:

- All properties must be environmentally certified<sup>2</sup>.
- In the long term, 100% of the rental value should be green leases<sup>3</sup>.
- In the long term, Platzer's carbon dioxide emissions should not exceed 0.5 kg CO<sub>2</sub>/m<sup>2</sup> lettable area.

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<sup>1</sup>Measuring heated area only.

<sup>2</sup>Platzer informs us that, although not an official target, before any buildings are certified actions are taken in order to achieve at least Breeam Very Good or Excellent. All new construction projects shall be certified according to at least Miljöbyggnad Silver, Breeam Excellent or Leed Gold. Preferably also in combination with other social certifications such as e.g., Well.

<sup>3</sup>Green leases facilitate joint environmental investments as Platzer and their tenants agree on a common ambition to improve the environmental work in the building. Once a year, Platzer and their tenants meet to discuss environmental issues and update their agreement and associated environmental ambitions.



- Every year, Platzer aims to reduce its energy consumption by 2% (i.e., “landlord energy”).

As of 2020 the status with respect to these goals were that (2019 numbers in parenthesis):

- 90% (92%) of the properties have been certified.
- 58.3% (49%) of the leases were green leases.
- CO<sub>2</sub> emissions represented 0.7 kgCO<sub>2</sub>/m<sup>2</sup> lettable area (1.0 kgCO<sub>2</sub>/m<sup>2</sup>). (Emissions have been reduced by almost 90% since 2010).
- Energy use was reduced by 6.6% (9.7%) from the previous year and by more than 50% over the last ten years.

Platzer has been carbon neutral since 2011 by compensating all remaining scope 1 and 2 carbon dioxide emissions from property management operations with Gold Standard emission rights. The goal moving forward is to continue to reduce emissions, both direct and indirect ones, including from construction projects. Platzer is also aiming to develop the compensation actions towards more local initiatives when it comes to emission rights. Although being climate neutral for many years, Platzer are expecting to set a final target year during 2021 when they aim to be climate neutral through the entire value chain (including Scope 3 emissions).

We note that Platzer does not carry out climate scenario analysis or risk assessments in formal alignment with the methodology recommended by TCFD<sup>4</sup>, but that it is planned for the future. As of now, Platzer has incorporated resilience considerations (for every property) in cooperation with the Swedish Meteorological and Hydrological Institute (SMHI) who delivers data for each property.

### Use of proceeds

An amount equivalent to the net proceeds from Green Financing will exclusively be used by Platzer to fully or partly finance or refinance investments and expenditures that promote the transition to low-carbon, climate resilient and sustainable economies. Such assets (“Eligible Green Assets” or “Green Assets”) must comply with the categories and criteria’s shown in table 1. The categories are Green buildings, Clean transportation, Energy efficiency, Renewable energy, Climate change adaptation and Pollution and prevention control.

Both financing or refinancing of tangible assets (without age restriction) and operational expenditure (up to 3 years backwards looking) can qualify. The combined allocated amount to a specific Green Asset, by one or several sources of financing with specified use of proceeds, may not exceed its value. Platzer only operates in the Swedish market and the net proceeds will therefore be used exclusively to finance or refinance investments and expenditure in Sweden.

The majority of the net proceeds are expected to be allocated to existing projects and assets (defined as projects and assets older than 12 months) in the Green building category. However, the net proceeds allocated to new projects and assets are expected to increase over time. The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting.

The net proceeds will not be allocated or linked to fossil-based energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

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<sup>4</sup> <https://www.fsb-tcdf.org/publications/final-recommendations-report/>



## 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.

In Platzer it is primarily the project managers and the property managers who handle and presents proposals of investments. Decisions on green investments and projects is a part of the ordinary process for project evaluation and selection. In management plans, different proposals on measures are stated, such as energy savings. All proposed measures and status for projects and investments are registered. This information will be used by the Green Business Council (GBC) to determine what projects and investments that are compliant with the Green Terms and therefore qualifies for green financing. Furthermore, the GBC is also responsible for signing off on the forthcoming reporting under the framework as outlined below. The GBC is led by the Head of Sustainability and currently has the following members: CEO, Head of Sustainability, and CFO.

The GBC will review information about the assets and evaluate the overall environmental impact, which includes life cycle considerations, potential rebound effects, resilience considerations and adherence to at least one of the environmental objectives of the Green Bond Principles<sup>5</sup>. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Platzer. The Green Business Council can request additional information and consult with internal parties, but the mandate to make decisions is held by the group. A decision to allocate net proceeds will require a majority decision by the GBC, where the head of sustainability has a veto. The decisions made by the GBC will be documented.

An updated list of all Green Assets will be kept by Platzer's treasury department. If a project or asset ceases to meet the Green Terms, it will be removed from the list (and the funds will be recycled). The list will also be used as a tool to determine if there is a current or expected capacity for additional Green Financing.

## Management of proceeds

CICERO Green finds the management of proceeds of Platzer to be in accordance with the 2018 Green Bond Principles and Green Loan Principles.

The net proceeds of any green financing will be credited to a dedicated account (the "Green Account") or otherwise tracked by Platzer (together, the "Green Portfolio"). Deductions will be made from the Green Portfolio by an equivalent amount corresponding to the financing, refinancing, investment or expenditure of eligible green assets or at repayment of any green financing.

If an eligible green asset no longer qualifies or if the underlying project or asset is divested or lost, an amount equal to the funds allocated towards it will be re-credited to the Green Portfolio. Funds may also be reallocated to other green assets during the term of any green financing, unless otherwise agreed in the loan documentation.

The treasury department will keep a record of the purpose of any change in the Green Portfolio and ensure that the combined funds directed towards a specific green asset, by one or several sources of green financing or other financing with specific use of proceeds, does not exceed its value.

While the Green Portfolio has a positive balance the net proceeds may be invested or utilised by the treasury in accordance with Platzer's sustainability policy and investment criteria. Such unallocated funds may for instance

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<sup>5</sup> These are: Climate change mitigation; Climate change adaptation; Natural resource conservation; Biodiversity conservation; and Pollution prevention and control.



be invested in short-term interest bearing securities, such as Swedish treasury bills (and related entities) or Swedish municipal notes (including related entities). The exclusions in the Framework will apply to placement of liquidity.

Platzer acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of net proceeds allocation, hence verification will be sought from Platzer's external auditor.

## 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.

In order to be fully transparent towards the Green Bond investors and other market stakeholders, Platzer will publish an annual report on its website [platzer.se](http://platzer.se) that will detail the allocation of net proceeds and adherence to the Green Terms (the "Reporting"). The first such Reporting under this Framework is expected to take place in May 2022 and will be available in English.

In addition to the yearly reporting, a quarterly statement will be published on the Green Website disclosing the total amount of Green Financing outstanding and the total value of Green Assets.

The Reporting will be prepared by the Head of Sustainability and treasury with assistance from the technical department. It will contain information on the Green Assets that have been financed with green financing (when feasible at the property level), a summary of Platzer's activities in the past year as pertains to green financing as well as information, including examples, of the financed Green Asset's adherence to the relevant criteria.

### Allocation Disclosure:

- Platzer will provide allocation reporting and emphasis will be placed on providing examples to single projects based on size.
- The sum of outstanding Green Financing and the sum of the Green Portfolio balance, including any short-term investments or net proceeds managed within the liquidity portfolio.
- The proportion of net proceeds allocated to new investments and expenditure (see definition under Methodology).
- All data is to be as of the end of the previous year.

### Impact Reporting & Metrics:

The Reporting will contain a disclosure of asset level performance indicators. The Reporting will strive to disclose the impact based on the green financings share of the total investment. For financed Green Assets that are not yet operational, Platzer will strive to provide estimates of future performance levels. Platzer will emphasise energy savings and greenhouse gas reductions as the most relevant performance metrics for most projects. For the categories Climate change adaptation and Pollution prevention and control, each yearly report may include an example of an investment that has been financed with green net proceeds (if such a project has been completed). Given the number of project types that qualify under these categories, the KPI's is not disclosed beforehand in the framework. Examples of other indicators that are likely to be used by Platzer in the forthcoming Reporting is listed in the framework.

To calculate GHG emission reductions, Platzer uses the Green House Gas Protocol to calculate Scope 1 and Scope 2 emissions. To calculate CO<sub>2</sub>e emissions savings from Green Assets the location based emissions will be used.



The emission numbers were 93.2 grams CO<sub>2</sub>e/kWh for electricity<sup>6</sup> (2018), 42.6 grams CO<sub>2</sub>e/kWh for heat<sup>7</sup> (2020) and 0 grams CO<sub>2</sub>e/kWh for cooling (2020) with a combined CO<sub>2</sub>e/kWh for delivered energy of 135.8 grams CO<sub>2</sub>e/kWh. This is the same methodology used in the company's sustainability reporting, although the sustainability reporting uses market-based emission factors.

It should be noted that this grid emission factor(s) Platzer uses is considerably lower than what has been outlined in the "Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting" (2020), which currently states 315 grams CO<sub>2</sub>e per kWh.

The external auditor of Platzer, or a similar party appointed by Platzer with the relevant expertise and experience, will investigate and report whether an amount equal to the net proceeds have been allocated to the eligible green assets that Platzer has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Platzer's website platzer.se.

Platzer has a dedicated webpage for green financing at its website platzer.se where investors, lenders and other interested parties can find information regarding Platzer's Green Financing, including:

- The Green Financing Framework
- The Second Opinion
- The Reporting
- The annual review
- The quarterly statements
- Investor presentations

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<sup>6</sup> Source: SMED Rapport Nr 4 2021- Emissionsfaktor för Nordisk elmix med hänsyn till import och export. Utgivare: Sveriges Meteorologiska och Hydrologiska Institut (SMHI) ISSN: 1653-8102

<sup>7</sup> Source: Weighted Calculation based on Emission Reports from Göteborg Energi, Mölndal Energi, Solör Bioenergi och Sörred fjärrvärme.





### 3 Assessment of Platzer’s green debt framework and policies


The framework and procedures for Platzer’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 Platzer 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 Platzer’s green debt framework, we rate the framework **CICERO Medium Green**.

#### Eligible projects under the Platzer’s green debt 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) 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>  	<p>New buildings:</p> <ul style="list-style-type: none"> <li>Ongoing development or recently completed properties that have, or will, receive an environmental certification of at least Miljöbyggnad “Silver”, BREEAM-SE “Excellent”, BREEAM “Excellent” or LEED “Gold”. The properties should also achieve at least 20% lower energy use<sup>8</sup> than required by the applicable national building code (BBR).</li> </ul> <p>Existing properties:</p> <ul style="list-style-type: none"> <li>Environmentally certified existing properties with a high environmental performance that have or will receive a certification of at least Miljöbyggnad “Silver”, Miljöbyggnad i drift “Silver”, BREEAM “Very Good”, BREEAM In-Use “Very Good”, LEED “Gold” or LEED</li> </ul>	<p><b>Medium Green</b></p> <p>✓ Note that the highest shading level, dark green, is reserved for the highest building standards such as Zero-Energy buildings and passive houses. The building criteria are good, but do not represent the highest standard levels.</p> <p>✓ LEED and BREEAM covers a broad set of issues that are important to sustainable development. However, this certification alone does not ensure energy efficient buildings. Miljöbyggnad Silver require an energy use less than 80% of current regulations. Certification standards differ considerable in their requirement for energy efficiency and reduction, biodiversity and stakeholder</p>

<sup>8</sup> ‘Landlord energy’



EBOM “Gold”. Existing buildings must achieve an energy use per square meter not exceeding the targets set out below and for own development at least 15% lower than the national building code (BBR) applicable for the specific building.

Construction year	Energy use per m <sup>2</sup>
Before 2006	100 kWh/m <sup>2</sup>
Between 2006-2010	90 kWh/m <sup>2</sup>
After 2010	80 kWh/m <sup>2</sup>

Major renovations:

- Properties that have undergone renovation and for which the energy performance have been improved by at least 30% during a time period not exceeding 3 years.

engagement. The ‘in use’ certificates, in particular, usually have quite weak, if any, energy requirements.

- ✓ Platzer’s portfolio of buildings has an average average energy use of 82.5 kWh/m<sup>2</sup>. The criteria for existing buildings, although lower than applicable regulations, allows for specific energy use above the portfolio average, thus potentially degrading this average.
- ✓ Refurbishment of existing buildings are often better than new constructions from a climate point of view but should ideally come with greater improvements in energy efficiency. IPCC recommends 50% energy efficiency improvements, and according to IEA, efficiency of building envelopes needs to improve by 30% by 2025 to be aligned with the Paris target.
- ✓ The issuer should consider construction phase waste and emissions as well as emissions related to transportation to and from the properties.

**Clean**

**transportation**



Supportive infrastructure such as charging stations for all types of electric vehicles, bicycle garages, or other investments that support and emphasize the use of environmentally sound and low carbon solutions, as well as electric vehicles used in our operations, such as fully electric service vehicles.

**Dark Green**

- ✓ Note that charging stations can be used by hybrid vehicles and hybrid cars will involve a fossil fuel element.

**Energy**

**efficiency**



Investments in the existing portfolio of buildings that target a lower overall energy use and an improved environmental footprint. This could include, for instance, the installation of geothermal heating/cooling, energy-efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows, additional insulation or an upgraded ventilation system. Only directly associated expenditure (e.g., material, installation and labour) is eligible for financing. Platzer will ascertain the following:

- High estimated energy savings in the targeted area for physical installations (minimum 20%).
- Minimize long term negative climate impact and potential rebound effects.

**Dark Green**

- ✓ Only directly associated expenditure (e.g., material, installation and labour) is eligible for financing.
- ✓ Efficiency measures in existing buildings is a good way to lower the climate footprint of buildings, unless it involves fossil fuel elements which then can be locked in. The issuer informs us that no fossil-based systems will be involved, and no upgrading of fossil fuel technologies will be allowed. District heating system may contain some fossil elements through the use of waste for energy.



	c) Minimal negative climate impact from the technology used.	✓ Be aware of potential rebound effects following energy efficiency improvements.
<b>Renewable energy</b>	Renewable energy production, such as on-site solar power installations or stand-alone solar farms as well as related infrastructure investments for example grid connections, electric substations or networks.	<b>Dark Green</b> ✓ The issuer should be aware of the potential for controversial projects, e.g., due to competing land use.
<b>Climate change adaptation</b>	Investments undertaken to mitigate the negative consequences brought on by climate change and their impact on properties, including adaptation of buildings, infrastructure, parks and green areas to build resilience against expected risks such as increased rainfalls, flooding or sea level rise.	<b>Dark Green</b> ✓ These activities contribute positively to mitigating a number of local problems, as well as lowering the physical risks from climate change.
<b>Pollution prevention and control</b>	Investments that limit, remove or treat the presence of harmful substances and/or greenhouse gas, such as: <ul style="list-style-type: none"> <li>• Investments in soil remediation, meaning the removal of harmful substances in the soil from mainly human activity in the past. Such investments require that a soil survey has been carried out and an emphasis is placed on the reuse of the material (with destruction or deposit as a last option).</li> <li>• Investments in the removal and replacement of harmful substances in products, assets or projects, such as micro plastics, chemicals or metals, that have been linked to negative effects on biodiversity, human health and/or the environment.</li> <li>• Investments in waste management, such as collection, prevention, reduction or recycling of waste.</li> </ul>	<b>Medium Green</b> ✓ These activities are important for the local environment and ecology, but the climate impacts of these activities (except for waste management) are uncertain.

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 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, Denmark and Finland are 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%.<sup>9</sup> The European Green Deal aims for carbon neutrality in 2050.<sup>10</sup> Sweden has developed a National Energy and Climate Plan (NECP) in which it outlines the targets and strategies in all sectors.<sup>11</sup> These strategies include measures such as increasing renewable energy capacity, improving energy efficiency, facilitating the large scale implementation of clean transportation alternatives, and implementing 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. In February 2020, Norway released updated targets for 2030 to cut GHG emissions by 50-55% from 1990 levels<sup>12</sup>.

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 – in addition to improvements in lighting and appliances and increased renewable heat sources.<sup>13</sup> 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. 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 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.<sup>14</sup> CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

The Exponential Roadmap<sup>15</sup> 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 bond funding for sustainable retrofitting and construction.

### *EU Taxonomy*

In March 2020, a technical expert group (TEG) proposed an EU taxonomy for sustainable finance that included a number of principles including “do-no-significant-harm (DNSH)-criteria” and safety thresholds for various types of activities<sup>16</sup>. In April 2021, EU published its delegated act to outline proposed criteria for climate mitigation and adaptation, which it was tasked to develop after the EU Taxonomy Regulation entered into law in July 2020<sup>17</sup>. The

<sup>9</sup> [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en)

<sup>10</sup> [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>11</sup> [https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans\\_en](https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en)

<sup>12</sup> <https://www.regjeringen.no/no/aktuelt/norge-forsterker-klimamalet-for-2030-til-minst-50-prosent-og-opp-mot-55-prosent/id2689679/>

<sup>13</sup> <https://www.iea.org/reports/building-envelopes>

<sup>14</sup> <https://www.worldgbc.org/how-can-we-make-our-buildings-green>

<sup>15</sup> [https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap\\_1.5.1\\_216x279\\_08\\_AW\\_Download\\_Singles\\_Small.pdf](https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap_1.5.1_216x279_08_AW_Download_Singles_Small.pdf)

<sup>16</sup> Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020. [TEG final report on the EU taxonomy \(europa.eu\)](https://ec.europa.eu/economy_finance/wp-content/uploads/2020/03/TEG_final_report_on_the_EU_taxonomy_europa.eu)

<sup>17</sup> [Sustainable finance taxonomy - Regulation \(EU\) 2020/852 | European Commission \(europa.eu\)](https://ec.europa.eu/economy_finance/wp-content/uploads/2020/03/TEG_final_report_on_the_EU_taxonomy_europa.eu)



mitigation criteria in the EU taxonomy includes specific thresholds for real estate sector activities relevant for the company<sup>18</sup>. Relevant activities for the green debt framework are Construction of new buildings, renovation and ownership and acquisition of buildings.

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, as well as restriction on the type of land used for construction (no arable or forested land).

In order to qualify as a sustainable activity under the EU regulation 2020/852 certain minimum social safeguards must be complied with. The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights.

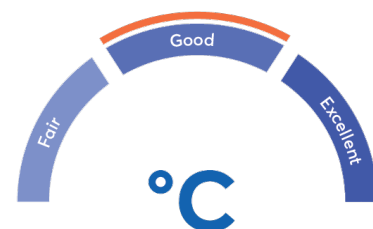
### Governance Assessment

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

Platzer has quantitative targets for CO<sub>2</sub> emissions, however without a specific timeline. The target of an annual energy reduction of 2% is in line with business-as-usual technological progress. The target of environmentally certify all properties is good, but the level of certification remains unclear. Entrepreneurs must account for the materials used in the projects, and Platzer seeks to use the most sustainable materials available. Platzer tracks what material is used in all projects, which makes it easy to, e.g., change material in a building if the material proves to be unsustainable. Platzer has incorporated resilience considerations (for every property) in cooperation with the Swedish Meteorological and Hydrological Institute (SMHI) who delivers data for each property. LCA as bottom-up analysis is also planned for each property. Platzer's properties are all located at hubs around the city with good availability to public transport. Transport related environmental impacts are thus of minor concern.

The planned reporting is good and include elements of impact reporting, however at a portfolio level. We note that Platzer does not carry out climate scenario analysis or risk assessments in alignment with the methodology recommended by TCFD<sup>19</sup>, but that is planned for the future.

Platzer is aware of potential social risks related to violations of workers' rights in their supply chain. They currently have no formal policy or code of conduct in place to reduce social risks, however, they have informed us that they have taken some steps to reduce risks, including requiring all contracts to go through a review by the procurement team, limiting the number of suppliers and occasionally including contract clauses securing workers similar terms as agreed through collective agreements within its area of operation. Platzer has informed us that they are currently updating their sustainability policy to better include social risks. In addition, the company is planning to implement a Code of conduct including



<sup>18</sup> [taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex_1/oj)

<sup>19</sup> <https://www.fsb-tcfid.org/publications/final-recommendations-report/>



human rights and workers' rights for sub-contractors and a whistle blower function. The overall assessment of Platzer's governance structure and processes gives it a rating of **Good**.

### Strengths

Clear exclusion of investments in fossil fuel related technologies or activities is a strength of the framework. Many of the categories are judged to be Dark Green, but we note that the main category – Green buildings – contains criteria for existing buildings that may lower the energy performance of the Platzer portfolio of buildings.

### Weaknesses

There is a lack of scenario analysis formally in alignment with the TCFD recommendations. Other than that, we find no material weaknesses in Platzer's Green Debt Framework.

### Pitfalls

Pitfall of a green bond framework are potential environmental risks. Whereas weaknesses are areas that remain unaddressed by the issuer, pitfalls can be mitigated.

CICERO Green factor in if there have been any considerations around transportation solutions and environmental impacts in the construction and demolition phases of the building (building material and waste considerations). The CICERO Dark Green shading is difficult to achieve in particular in the building sector because buildings have a long lifetime. 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. Platzer's green debt framework is not quite there yet, but is taking steps towards this long-term vision. More stringent criteria would have been required for a darker shading.

We note that the Green building criteria for existing buildings that require a specific energy use less than 100 kWh/m<sup>2</sup> for buildings older than 2006, 90 kWh/m<sup>2</sup> for buildings younger than 2006, and 80 kWh/m<sup>2</sup> for buildings younger than 2010 and an energy use 15% below regulations in the year of construction for own developed buildings, may be ambitious when it comes to older buildings, but still allow for buildings with a specific energy use above the average for the current portfolio of buildings.

Life cycle assessment of projects are mainly carried out in connection with some of the environmental certification schemes, although some sub-contractors may carry out such estimates themselves. Currently, there is no emission accounting covering construction and demolition phase activities. The issuer is encouraged to consider construction phase emissions and waste and systematically work on reducing these.

To the extent that the buildings rely on district heating, there is an inherent probability that some fossil fuel fractions (e.g., plastics) will be involved, although Swedish district heat providers generally are good at tracking and reducing fossil fractions. The issuer should consider initiating discussions with local energy companies that do not provide 100% fossil free heating today about their possibilities of doing so in the future.

To assure consistency, the emission factor(s) used in Platzer's Green debt reporting should equal the emission factor(s) used in the company's sustainability reporting and annual report.

The energy efficiency requirement of 20% energy saving in this framework, does not align with the 30% requirement in the proposed EU Taxonomy. However, there are many individual efficiency measures that qualify automatically under the taxonomy. The issuer should be aware that 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.



# Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Finansiellt ramverk august 2021	Platzer's Green debt framework, dated August 2021
2	202102248618-1	Platzer's 2020 Annual report, in Swedish.
3	Web site: <a href="https://Platzer.se">https://Platzer.se</a>	





## 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).

