



Corem

Green Bond Second Opinion

September 30, 2020

Corem is a Swedish real estate company founded in 2007 that owns, manages, and develops properties in locations with high accessibility in selected urban growth regions in Sweden and Denmark, with 96% of the portfolio in Sweden. The portfolio consists mainly of warehouses and logistic premises (clients are e.g. providers of services and goods as well as e-commerce). Corem is providing their tenants with premises where they can run their operations and support them by making investments that improve the buildings and premises. Project and property development are also important parts of Corem's business model.

Corem will allocate green proceeds to new and existing green buildings and improved energy efficiency. Eligible projects are e.g. energy retrofits, installation of renewable energy and installation of charging poles for electric vehicles. The eligibility criteria are e.g. certification, or building renovations achieving at least 25% energy improvement. All properties in the green bond framework will be located in Sweden.

Corem demonstrates awareness of environmental and sustainability concerns, but could improve their target setting and reporting. New targets related to sustainability, including reduction in energy use and emissions, are being developed. Corem have not, by the end of June 2020, achieved their long term targets for 2015-2020, mainly due to a change in portfolio during 2019. The issuer is considering expanding its reporting to also include scope 3 emissions in line with the Reporting Initiative (GRI). Corem is not screening for climate resilience on a property basis, and is not reporting in alignment with the methodology recommended by TCFD.

Corem has a good system for use and management of proceeds. The proceeds will be exclusively applied to finance or re-finance acquisitions and improvements in existing buildings, and to a small degree new constructions. Corem will not use proceeds to finance improvements that are fossil fuel powered. Corem has quantitative impact reporting, verified by an external auditor which strengthens transparency.

Based on the overall assessment of the project types in the framework of Corem, governance and transparency considerations, the green bond framework receives an overall **CICERO Medium Green** shading and a governance score of **Good**. In order to improve the framework Corem could strengthen the eligibility criteria, e.g., in the Green and energy efficient buildings category with regards to the choice of certification schemes and their energy efficiency targets. The energy efficiency requirements fall short of the EU Taxonomy thresholds Corem is encouraged to screen for physical climate risk and systematically work on reducing emissions related to transportation to and from properties.

SHADES OF GREEN

Based on our review, we rate Corem'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 Corem's framework to be **Good**.



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	Examples
 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.	 Wind energy projects with a strong governance structure that integrates environmental concerns
 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.	 Bridging technologies such as plug-in hybrid buses
 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.	 Efficiency investments for fossil fuel technologies where clean alternatives are not available
 Brown is allocated to projects and solutions that are in opposition to the long-term vision of a low carbon and climate resilient future.	 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 Corem's green bond framework and related policies

Corem is a Swedish real estate company that owns, manages, and develops properties in locations with high accessibility in selected urban growth regions in Sweden (Stockholm, Gothenburg, Malmö and Jönköping) and Denmark (Copenhagen), with 96% of the portfolio in Sweden. The portfolio consists mainly of warehouses (trade related 4%, offices 21%, others 4%) and logistic premises (71 %). Corem is providing their tenants with premises where they can run their operations, and support them by making investments that improve the buildings and premises. Corem informs that some of their clients are within the transport sector, and that they so far do not have any wooden buildings in their portfolio. Project and property development are also important parts of Corem's business model. As of June 30, 2020, Corem had 163 properties in its portfolio with a lettable area of 962 118 m². Corem estimates that about 40 % of the overall portfolio could be included in the green bond framework over its validity.

Environmental Strategies and Policies

Corem's overarching environmental goal is to reduce its carbon dioxide emissions, generated mainly from electricity consumption and district heating. The energy reduction target for 2016-2020 was a 15 % reduction in kWh/m². However, as of 30 June 2020 the target was not reached, mainly due to a larger change in portfolio during 2019. From 2016 to 2019 the energy consumption decreased from 91,6 to 91,3 kWh/m². The CO₂-emission was reported to 14 kg/m². Corem is reporting annually in line with the Global Reporting Initiative (GRI) for scope 1 and scope 2 emissions and are considering reporting also for scope 3 emissions. Corem is also reporting annually on the development in energy consumption and carbon dioxide emissions.

Corem is a member of the Green Building Council in Sweden. Furthermore, Corem has certified properties according to Green Building, as well as certifications according to Miljöbyggnad and BREEAM-In-Use Very Good under way. At the end of 2019, Corem had 16 properties that were environmentally certified. The ambition for 2020 was that 30 of Corem's existing properties were certified. So far in 2020 16 properties out of 163 have achieved certification¹. Affected by the change in the property portfolio, this target has not, as of June 2020, been met. Corem will consider changing the targets to relative measures.

Furthermore, Corem's overall ambition is that all new constructions are environmentally certified and to continue to certify the remaining portfolio, not only the properties that will be included in the GBF. Corem's overall targets also include minimized use of non-renewable energy sources (since 2019 none of Corem's properties use oil as their main heat source within the properties) and that electricity used in Corem's management and operation must be eco-labelled and based on renewable sources.

Corem's current targets are expiring in 2020, and new short and long term targets related to sustainability, including reduction in energy use and emissions, are being developed.

Corem applies the principles of the UN Global Compact in its operation but is not a signatory. Corem is aiming to contribute to the achievement of the Sustainable Development Goals (SDG) and is mapping their contributions.

¹ These properties are certified according to Green Building. For two ongoing developments, one will be certified as Miljöbyggnad Silver and one BREEAM-In-Use Very Good.



SDGs 3, 8 and 10 are followed up through goals within health and safety, and SDG 7, 12 and 13 are followed up through goals regarding energy saving, fossil-free energy, and certification of properties.

Corem is not reporting in line with the TCFD-recommendations. They are however, according to the issuer, performing annual risk assessment where climate scenario analysis and resilience assessments are incorporated on a portfolio basis.

In new constructions and reconstructions, Corem has established environmental requirements related to resource efficiency as well as the purchase of construction materials, stating that construction materials should be in accordance with BASTA and the Swedish Byggvarubedomningen. Through this, Corem is ensuring construction material with minimized content of hazardous chemical substances to ensure reduced impact on human health as well as on ecosystems and biodiversity. Aside from this, all new constructions also have requirements on energy efficiency, as per the available certification types.

Corem has no requirements on clients to facilitate clean transportation. However, Corem is working with the tenants to find energy saving measures and also offer the tenants green leases in order to promote joint environmental benefits. One example is related to transportation solutions where Corem invests in charging poles to facilitate tenants moving from using fossil fuels for transportation within their own operations. This will reduce the tenants' emissions and could be included in a potential scope 3 reporting scheme.

Within the Green bond framework, the lowest indicated certification levels are; for new constructions, existing and acquired buildings Miljöbyggnad Silver, Miljöbyggnad iDrift Silver, Green Building, BREEAM Very Good or BREEM In-Use Very Good (with an energy consumption of at least 10% below relevant national regulation) or an equivalent level from another well recognized certification scheme. Also eligible are buildings holding an energy performance certificate (EPC) A or B and major renovations which result in at least 25 % reduced energy level.

Use of proceeds

Corem will use an amount equivalent to the net proceeds from Corem's Green bonds to finance or re-finance, in part or in full, eligible assets ("Green Eligible Assets"). A majority of proceeds will be used for re-finance. This includes projects on new and existing properties within Green and energy efficient buildings and Energy efficiency. Examples of eligible projects are certification, energy retrofit, infrastructure for electric vehicles, installation of solar panels and heat pumps.

Corem will not use the proceeds from the green bonds to finance fossil fuel energy generation or infrastructure, nor improvements in buildings that are fossil fuel powered. Furthermore, Corem will not use proceeds to support nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction, gambling, or tobacco. Corem further confirms that there will be no controversial projects within the GBF.

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.

Corem has established a Green Bond Committee (GBC) who is managing the selection of eligible assets. Members of the GBC consist of the CEO, CFO, Director of Property management, Director of projects and development



and the Technical director. According to Corem, there will always be environmental and sustainability expertise within the GBC. Decisions on the selection of eligible assets are made in consensus.

GBC will also be responsible for monitoring the green portfolio to ensure that proceeds are allocated to eligible assets. A list of eligible assets is kept by the Finance department who is also responsible for keeping it up to date. Furthermore, Corem will follow the development of the green bond market and update the Green Bond Framework to reflect current and future market practices such as the EU Taxonomy.

Lock in or rebound effects, life cycle analysis (LCAs) and supply chain/subcontractor considerations are not included in the selection processes of eligible green assets. However, these types of considerations are evaluated on a company level for all buildings and on a project level for some buildings/projects.

Corem's selection criteria will be reviewed internally by the GBC.

Management of proceeds

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

An amount equal to the net proceeds of any of Corem's green bonds will be tracked by using a spreadsheet where all issued amounts of the green bonds will be included. The spreadsheets will also include the list of identified eligible assets. All green bonds will be managed on a portfolio level, and green bonds will not be linked directly to pre-determined eligible assets. Corem will keep track to ensure there are sufficient eligible assets in the portfolio. Assets can be removed or added to/from the eligible asset's portfolio. Eligible assets under Green and energy efficient buildings are based on the market value of such assets reported in the balance sheet, and under Energy efficiency it corresponds to the relevant amount invested.

Allocation of proceeds will be subject to an annual review by an external party verifier and reported on Corem's website.

Unallocated proceeds will temporarily be placed on the Corem's ordinary bank account.

Reporting

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

Corem is committing to regular reporting as long as it has green bonds outstanding. Reporting on the use of proceeds and impact reporting will be carried out on a portfolio basis and will be the responsibility of the GBC. Examples of projects and amounts of green bonds used for the different categories will be reported. Reporting of the allocation of proceeds and the impact reporting will be published on Corem's website on an annual basis and will be reviewed by an external sustainability auditor.

The report on the allocation of proceeds cover the following:

- Total amount of green bonds issued
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described given under the Use of proceeds' section above.
- Share of unallocated proceeds (if any)



Corem intends to report on quantitative impact indicators where feasible and where relevant data is available. Amount of energy saved per m² and/or estimated annual greenhouse gas emissions reduced or avoided (tCO₂e) will be used as impacts metrics. The energy consumption is measured and analyzed partly on an aggregated level and per property. Corem will report on both the local (i.e. from the respective utility company) and the Nordic grid factors for electricity and heating and disclose these to the investors. The reporting will be related to the main categories:

Green and energy efficient buildings:

- Information on the energy usage in kWh/m²/year.
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)
- Energy performance certificate class, if any
- Type of certification including level, if any (e.g. Green Building, BREEAM In Use, etc.)

Energy efficiency:

- Amount of energy saved per m².
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)
- Clean transportation (charging points)
- Installation of renewable energy, including emission from geothermal energy



3 Assessment of Corem’s green bond framework and policies

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

Eligible projects under the Corem’s 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"> ✓ One of the following certifications including the lowest indicated levels: <ul style="list-style-type: none"> • Miljöbyggnad Silver and Green Building ✓ • Miljöbyggnad iDrift Silver, BREEAM Very Good, BREEAM In-Use Very Good, and with an energy consumption of at least 10% below the applicable national building regulation • or an equivalent level from another well-recognized certification scheme which is subject for evaluation and approval from the Green Bond Committee ✓ an energy performance certificate (EPC) A or B ✓ Major renovations resulting in reduced energy consumption of at least 25% 	Medium Green The issuer informs that the majority of the proceeds will be used for Green and energy efficient buildings related to existing and newly purchased buildings, with a low degree of new constructions. Miljöbyggnad Silver requires, among others, the primary energy demand of residential buildings and commercial buildings to be 20% and 30% lower than the national building regulation, respectively. The aim of Miljöbyggnad iDrift Silver is e.g. to reduce the energy consumption, and buildings are rewarded for introducing an energy management system. An energy consumption 10 % below relevant national regulation for new and existing buildings is low compared to e.g. the EU Taxonomy threshold. According



to the issuer, buildings that use more energy will be excluded from the green pool.

- ✓ Miljöbyggnad iDrift Silver buildings need to have an EPC of class F and at least 50% of the energy used needs to come from renewable sources.
- ✓ According to IEA, efficiency of building envelopes needs to improve by 30% by 2025 to be aligned with the Paris agreement.
- ✓ Corem informs that most renovations are focused on existing buildings certified as Green building and the rest is new buildings certified as Miljöbyggnad Silver or BREEAM In-use Very Good.
- ✓ For Green Building, it is required that energy consumption is reduced by at least 25% within a five-year period.
- ✓ Statistics 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 Sweden²

Energy efficiency



Energy retrofits such as heat pumps, converting to LED lightning, installation of photovoltaic glass, improvements on ventilation systems, improvement and implementation of control systems, extension of district heating and cooling systems

- Energy efficiency projects resulting in reduced energy consumption of at least 25%

Medium Green

- ✓ Corem informs that no fossil-fuel based systems will be involved, and no upgrading of fossil fuel technologies will be allowed.
- ✓ According to the IEA, a 30% reduction would be necessary to be in line with the Paris Agreement “well below 2°C target”
- ✓ 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.
- ✓ Be aware of potential rebound effects following energy efficiency improvements.

² <https://www.boverket.se/sv/energideklaration/energideklaration/bakgrund/statistik-om-energideklaration/>



- Renewable energy sources (such as installation of solar panels, geothermal heat pumps etc.)

Dark Green

- ✓ Corem informed that only onsite solar will be installed, and that size will vary.
- ✓ The issuer should be mindful of the potential for heavy metal pollution from geothermal energy.
- ✓ The issuer informs that also biofuel could qualify under this framework. Biofuels are considered dark green if biofuel is sourced sustainably. Be aware of life cycle emissions and broader impacts on biodiversity and the environment.



- Clean transportation infrastructure for electric vehicles

Dark Green

- ✓ The issuer informs that this will be mainly installation of charging poles for electric and hybrid vehicles.

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 and Denmark 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%.³ The European Green Deal aims for carbon neutrality in 2050.⁴ Sweden has developed a National Energy and Climate Plan (NECP) in which it outlines the targets and strategies in all sectors.⁵ 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.⁶ In Denmark, the most prominent new energy saving measure for the period, is a subsidy scheme from 2021-2024 targeting private enterprises and buildings, which is projected to save approximately 1,2 Mt CO₂e. This is supported by other measures related to energy efficiency and renovation in public and private buildings, which is projected to generate approximately 0,66 MtCO₂e in savings.

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. Therefore, CICERO Green also looks at the energy efficiency improvements of the building and targets which exceed existing regulations. In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishment. Many of these factors are covered under the World Green Building Council's recommendations for best practices for developing green buildings.⁷ CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

According to the Exponential Roadmap⁸, 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

³ https://ec.europa.eu/clima/policies/strategies/2030_en

⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁵ https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

⁶ <https://www.iea.org/reports/building-envelopes>

⁷ <https://www.worldgbc.org/how-can-we-make-our-buildings-green>

⁸ [https://exponentialroadmap.org/wp-](https://exponentialroadmap.org/wp-content/uploads/2020/03/ExponentialRoadmap_1.5.1_216x279_08_AW_Download_Singles_Small.pdf)

[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)



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 finance⁹ includes a number of principles including a “do-no-harm clause” and safety thresholds for various types of activities. 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 verify Corem’s framework against the full EU taxonomy as this is not yet fully implemented, 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 dedicated energy management system.

It is currently unclear how this will apply to Sweden, but it is reasonable to expect that buildings with energy use 20% below present regulation would be aligned with the taxonomy. 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.

Corem’s framework satisfies or exceeds the EU taxonomy requirement for some of the certification schemes, but not for all. Corem’s financing relating to renovations of buildings with a required energy reduction of 25% will not be aligned with the EU Taxonomy. Corem is managing the energy consumption on a property level as required by the EU taxonomy for large non-residential buildings, and therefore aligns for this threshold.

⁹ 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



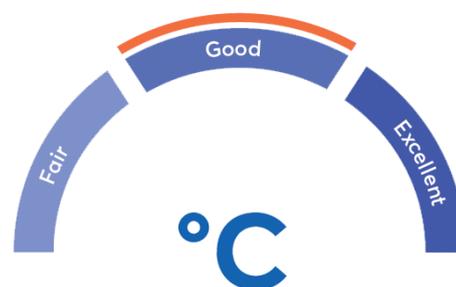
Governance Assessment

Four aspects are studied when assessing the Corem'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.

Corem demonstrates an awareness of environmental and sustainability concerns and reports to be aligned with the principles in UN Global Compact. They are reporting in line with the GRI for scope 1 and 2 emissions and are considering starting reporting also for the scope 3 emissions. Suppliers, contractors, and subcontractors are required to relate to requirements given in BASTA and the Swedish Byggarubedömningen when selecting construction material. Corem has 2020-targets related to certification of properties, and a target for energy reductions from major renovations. However, Corem did not reach their 2020-targets, and have not yet established quantifiable targets for a new three-year period. However, the issuer informs that targets for sustainability, including on reduction in energy use and emissions, are being developed.

Corem is not reporting in line with the TCFD-recommendations but conducts climate scenario analysis and resilience assessments on a portfolio and not property level. Corem is not considering rebound or lock-in effects related to their renovation projects.

The management of proceeds is good and aligned with the Green Bond Principles. Project selection decisions are consensus based and the issuer has stated that the GBC have environmental and sustainability competence. This will, according to Corem, ensure that projects selected for the green bond framework will be eligible according to the Green Bond Principles. Impact reporting includes relevant performance indicators and is externally reviewed on an annual basis.



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

Strengths

Corem informs that the majority of the proceeds will be used for the category Green and energy efficient buildings and will mostly be related to improving existing buildings. Corem's framework demonstrates a focus on reducing energy consumption and already has demonstrable experience in conducting projects with energy efficiency improvements. Corem informed us that the average project in Corem's green pool reduces energy use by 50%.

Corem is working with the tenants to find energy saving measures. One example is offering tenants green leases. It is furthermore a strength that electricity used in Corem's management and operation must be eco-labelled with EPD (Environmental Product Declaration), ensuring renewable electricity.

Weaknesses

Targets for 2020 onwards are not yet developed, and we cannot evaluate to what degree they are ambitious. We find no other material weaknesses in the framework.



Pitfalls

The CICERO Dark Green shading is difficult to achieve in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector should therefore conform to strict measures and is reserved for the highest building standards such as LEED Platinum, Zero-Energy buildings, and passive houses. The Green building and energy efficient buildings criteria eligible under Corem's framework are falling short of the long-term vision of zero-energy buildings or passive houses.

Screening and assessments of climate risk and resilience and life cycle assessments on a property basis are lacking in Corem's framework. 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.¹⁰ CICERO Green would suggest that Corem implements formalized screening processes to minimize environmental impact and risk.

Corem has no requirements on clients to facilitate clean transportation or reduce emissions from transport. However, when setting up green leases, Corem can together with the tenant decide on a shared objective to promote use of reduced energy and clean transportation.

Eligibility criteria under Green and energy efficient buildings are Miljöbyggnad iDrift Silver, BREEAM Very Good, BREEAM In-Use Very Good with an energy consumption of at least 10% below the applicable national building regulation. The 10% below national building regulations and the Corem's financing relating to renovations of buildings with a required energy reduction of 25% are low compared to the EU Taxonomy thresholds.

The issuer is encouraged to also consider construction phase emissions and systematically work on reducing emissions related to transportation to and from the properties.

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. Corem's work with its tenants can actively mitigate the risk of rebound effects related to energy efficiency.

¹⁰ 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	Corem's draft Green Bond Framework, dated September 2020.	Draft Green Bond Framework provided by Corem.
2	Corem's annual report. https://www.corem.se/afw/files/press/corem/202003206138-1.pdf	Publicly available annual report for 2019, which includes information on the properties and work on environment and sustainability.
3	Corem's Code of conduct. https://www.corem.se/sites/default/files/folder_uppf_kod_k6.pdf	Publicly available information on Corem's approach on responsible business management.
4	Corem's sustainability work. https://www.corem.se/sv/hallbarhetsarbete	Publicly available information on Corem's approach on sustainable business management.
5	Corem's environmental policy. https://www.corem.se/sv/miljopolicy	Publicly available information on Corem's environmental policy.



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).

