



# Nivika Fastigheter AB

## Green Finance Second Opinion

September 11, 2020

**Nivika Fastigheter AB (“Nivika”) was founded in 2000 with a focus on acquiring, developing, refining and managing properties.** The property portfolio, valued at 4.9 MSEK at the end of May 2020, includes a mix of residential, commercial and public properties located in Värnamo, Jönköping and Växjö in Southern Sweden. Flats and manufacturing/storage facilities represents each a little above 30% of the portfolio by value, while offices represent 20% and trade represents 10%. The residual is restaurants, hotels and other facilities. Nivika informs us that there are no emission intensive activities in the portfolio. There are no fossil fuel heating systems in the property portfolio and a high share of the properties are heated with district heating mainly fuelled by renewable energy, but also from waste potentially containing plastic fractions.

**The eligible categories, covering Green and energy efficient buildings, Renewable energy and Clean transportation with emphasis on new Green and energy efficient buildings, are well defined and provide important steps toward a low carbon future.** The criteria for eligible projects under the Green and energy efficient buildings category are good, but do not yet deliver the solutions needed in a low carbon 2050 perspective (passive house technology and similar).

**Nivika is at an early stage when it comes to mapping their energy use and climate footprint.** Until that has been completed, they cannot fully report on GHG emissions, and refrain from formulating precise quantitative targets and climate strategies. They are, however, well aware of climate risks and have intentions of including life cycle analysis into their decision process.

**The green finance framework of Nivika is aligned with the Green Bond and Green Loan Principles (2018).** The proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects/assets. Nivika has a sound selection process and an ambitious plan for impact reporting. We note, however, that there seems to be no climate scenario analysis or risk assessments in alignment with the methodology recommended by TCFD.

Based on the overall assessment of the project types in the framework of Nivika, governance and transparency considerations, the green finance framework receives an overall **CICERO Medium Green** shading. In order to achieve a Dark Green shading, the green finance framework would need stronger eligibility criteria, e.g., in the green buildings with regards to passive house and energy plus technology in eligible building projects.

### SHADES OF GREEN

Based on our review, we rate the Nivika’s green finance framework **CICERO Medium Green.**

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Nivika’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 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 finance are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



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

Nivika Fastigheter AB (“Nivika”) was founded in 2000 with a focus on acquiring, developing, refining and managing properties. The property portfolio, valued at 4.9 MSEK at the end of May 2020, includes a mix of residential, commercial and public properties located in Värnamo, Jönköping and Växjö – areas in Southern Sweden characterized by growing populations. Flats and manufacturing/storage facilities represents each a little above 30% of the portfolio by value, while offices represent 20% and trade represents 10%. The residual is restaurants, hotels and other facilities. Nivika informs us that there are no emission intensive activities in the portfolio. In the portfolio, 99% of the properties where Nivika is responsible for energy subscriptions, are operated with renewable energy, the rest is heated with rock heat. There are no fossil fuel heating systems in the property portfolio and a high share of the properties are heated with district heating. District heating is bought from Jönköping Energi, Värnamo Energi och Växjö Energi<sup>1</sup>, all of them mainly fuelled by renewable energy<sup>2</sup>, but also with potential for plastic fractions.

### Environmental Strategies and Policies

The sustainability strategy of Nivika is based on the UN's global Sustainable Development Goals (SDGs) and the Paris Agreement, with a special focus on the environment and sustainable resource use, sustainable employees, sustainable urban development and sustainable value creation. This means that they, among other things, strive to comply and, where possible, exceed environmental and workplace environment legislation, develop physical environments that promote growth and prosperity for a sustainable society, and integrate sustainability throughout the operations for instance through environmental certification of the properties, by choosing locally produced building materials, by reducing harmful chemicals and building materials and avoiding pollution of air, water and soil. There are no certified properties in the existing portfolio, but Nivika has decided to certify all coming residential projects/buildings from now on with Miljöbyggnad Silver, so there will be 100% going forward. Residential buildings currently account for more than three quarters of Nivika's project portfolio.

Nivika has a policy of influencing everything from the choice of frame material for new construction, how the cement is produced or use of wood raw material, to the choice of energy sources, but also how to create conditions for those who work in and around the properties to, for example, instead have the opportunity to take the bicycle or public transport to their workplaces. Furthermore, Nivika is active throughout the life cycle of a building, as a developer of new properties, purchasers of building materials and services, as a developer and contractor, as a property manager and lessor of premises, but also in the final stages of a building if it is to be demolished. They make demands on the suppliers through the specifications of Miljöbyggnad Silver certification, and work with the tenants through e.g. energy advice, electric bike and carpools, etc. In their Purchasing policy they state that:

“As far as possible, we must have agreements with suppliers who have an externally audited environmental certification such as ISO, EMAS or similar. Then suppliers who have some form of environmental program but are not externally audited. Another level below is if there is only one

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<sup>1</sup> <https://www.jonkopingenergi.se/vi-erbjuder/fjarrvarme/fjarrvarme-och-miljo;>  
[https://www.varnamoenergi.se/fjarrvarme/fjarrvarmeinformation/branslemix/;](https://www.varnamoenergi.se/fjarrvarme/fjarrvarmeinformation/branslemix/) <https://www.veab.se/om-oss/hallbarhet/fossilfri-verksamhet/>

<sup>2</sup> The average fuel mix for district heating in Sweden have 32% waste as fuel and less than 60 gCO<sub>2</sub>e/kWh, see <https://www.energiforetagen.se/energifakta/fjarrvarme/fjarrvarmeproduktion/> (in Swedish).



environmental policy. We must avoid suppliers who have no organized environmental work and thus no documentation about this.”

Based on historic data from the software Mestro, Nivika reports a specific energy use of 102 and 98 (estimated) kWh/m<sup>2</sup> for the years 2019 and 2020, respectively. Note that this only covers energy use where Nivika is responsible for the energy subscription. Also, the number for 2020 is estimated based on the January to August period. District heating represents a little more than 55% of the total. We also have information<sup>3</sup> on (scope 1 and 2) greenhouse gas emissions for 2019 and 2020 where they amounted to 2,109 and 2,314 tCO<sub>2</sub>, respectively. These numbers must be seen as indicative of the energy use and greenhouse gas emissions associated with Nivika’s portfolio, and further work is planned to refine the data going forward.

Nivika has established several goals that will target improvements in energy use. Thus, for 2020/2021 they aim at increasing the share of properties connected and monitored to reach +70% of the portfolio, decreasing the energy consumption by 15% measured in kWh/m<sup>2</sup>, investing in additional solar power plants of total 1750 kW peak, potentially delivering 1.546 MWh and increasing the number of charging stations for electrical vehicles by 100% compared to Aug. 2020. Other goals include electrifying their own vehicle fleet and increasing the utility rate of the carpools provided to tenants. To lower the impact associated with the construction of new buildings, Nivika promotes increased construction in wood.

Finally, to reduce climate risks, Nivika works with runoff surfaces, stormwater ponds and more green surfaces around their properties.

Nivika does not follow the guidelines from TCFD, but plan to report according to GRI Standards: Core option in the near future. They are, however, very well informed about potential climate challenges (heavy snow loads, flooding near rivers, etc.) and take that into account when planning new projects.

### Use of proceeds

Green debt may be issued in the format of unsubordinated notes, subordinated notes, hybrid securities and commercial paper. This framework could also be referenced to for other financial products such as loans and revolving credit facilities. The terms and conditions of the underlying documentation for each green debt instrument shall provide a reference to this framework.

An amount equal to the net proceeds of the green debt will finance or refinance, in whole or in part, investments undertaken by Nivika or its subsidiaries that promote the transition towards a low-carbon and environmentally sustainable society (“Green projects”), in each case as determined by Nivika in accordance with the green project categories defined in table 1. The categories are Green and energy efficient buildings, Renewable energy and Clean transportation.

Green projects will form a portfolio of assets eligible for financing and refinancing by green debt. The distribution between new financing and refinancing will be reported on in Nivika’s annual Green debt reporting. Green debt net proceeds can finance both existing and new green projects financed by Nivika or its subsidiaries. A majority of the proceeds will be used for financing new projects. New financing is defined as green projects financed after the green debt has been issued, and refinancing is defined as green projects financed prior to the green debt issuance.

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<sup>3</sup> Based on data from 60 properties with all together 196 120 m<sup>2</sup>.



Green debt net proceeds will not be allocated to projects involving fossil energy production, fossil fuel infrastructure nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

### Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance. The broader the project categories, the more importance CICERO Green places on the governance process.

Green projects shall comply with the eligibility criteria defined in table 1 in the next section. This is ensured in the process to evaluate, select and allocate green proceeds to eligible Green Projects, comprising the following steps:

- i. Sustainability experts and representatives within Nivika evaluate potential green projects, their compliance with the green project categories, and their environmental benefits.
- ii. A list of the potential green projects is presented to Nivika's Green Finance Committee ("GFC"). The GFC is solely responsible for the decision to acknowledge the project as green, in line with the green project criteria. Green projects will be marked as green in a dedicated "Green Register". A decision to allocate net proceeds will require a consensus decision by the GFC. The decisions made by the GFC will be documented and filed.

The GFC is chaired by the Chief Sustainability Officer and includes Chief Executive Officer and Chief Financial Officer. The GFC will convene every 6 months or when otherwise considered necessary. For the avoidance of doubt, the GFC holds the right to exclude any green project already funded by green instrument net proceeds. If a green project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible green projects.

### Management of proceeds

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

Nivika will use a green register to track that an amount equal to the green debt net proceeds is allocated to green projects by individual disbursement. The purpose of the Green register is to ensure that green debt net proceeds only support the financing of green projects or to repay green debt. The management of proceeds will be reviewed by an external auditor appointed by Nivika.

Unallocated green debt net proceeds may temporarily be placed in the liquidity reserve (in bank accounts) and managed accordingly by Nivika.

### 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.

Nivika will annually and until maturity of the green debt issued, provide investors with a report (Green Debt Report) describing the allocation of proceeds and the environmental impact of the green projects. The Chief



Financial Officer will be responsible for the reporting. The first report is expected to be published one year after the issuer goes to the market. The reporting will be linked to individual loans/bonds and the allocation and impact reporting will be on a project-by-project basis. The report will be made available on Nivika's website together with this Green Finance Framework. An independent external auditor appointed by Nivika will provide, on an annual basis, limited assurance that an amount equal to the Green Debt net proceeds has been allocated to Green Projects.

Allocation reporting will include the following information:

- i. A summary of green debt developments
- ii. The outstanding amount of green debt issued
- iii. The balance of the green projects in the green register (including any temporary investments and green debt repayments) and the available headroom in the value of the green projects (if any)
- iv. The total proportion of green debt net proceeds used to finance new green projects (defined as green projects financed after the bond issuance) and the proportion of green debt net proceeds used to refinance green projects (defined as green projects financed before the green debt was issued)
- v. The total aggregated proportion of green debt net proceeds used per green project category

In the event of outstanding green commercial paper, Nivika will report quarterly on the value of green projects and the total amount of outstanding green debt.

The impact reporting aims to disclose the environmental impact of the green projects financed under this framework, based on Nivika's financing share of each project. As Nivika can finance a large number of smaller green projects in the same project category, impact reporting will, to some extent, be aggregated. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis e.g. if a green building is under construction but not yet operational, Nivika will provide best estimates of future energy performance levels. The impact assessment will, if applicable, be based on the following Key Performance Indicators (KPIs):

Green buildings:

New buildings

- Building certification and/or energy performance class
- Number of wooden buildings
- Annual energy use avoided compared to the relevant building code (MWh)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Existing buildings

- Building certification and/or energy performance class, as applicable
- Annual energy use avoided below relevant national building standard (kWh/m<sup>2</sup> or %)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Major renovations

- Annual energy reduced compared to the pre-investment situation (MWh)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Energy efficiency measures:

- Annual energy reduced/avoided (MWh)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Renewable energy:

- Installed renewable energy capacity (kW)
- Annual renewable energy generation (kWh)
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Clean transportation:



#### Low-carbon transport and electric vehicles

- Number of electric vehicles
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

#### Low-carbon transportation infrastructure

- Number of charging points installed or upgraded
- Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)

Calculations of reduced or avoided CO<sub>2</sub>e emissions in buildings will be based on information on average proportion of heating sources in Sweden for multi-dwelling buildings<sup>4</sup>, and CO<sub>2</sub>e emissions from these heating sources per kWh for multifamily buildings. According to the report, district heating represents 91% of the total energy use for heating in Sweden and it is assumed that the remaining share is electricity (as electricity is the second most used source for heating according to the report). The electric grid factor recommended by the Nordic Public Sector Issuers (NPSI) report on green bond impact reporting will be used, which is 315 gCO<sub>2</sub>/kWh, and the national average emissions for district heating in Sweden is 63 gCO<sub>2</sub>/kWh. This gives a CO<sub>2</sub>e emissions from an average building in Sweden of 86 gCO<sub>2</sub>e/kWh ( $0.91 * 63g + 0.09 * 315$ ). So, Nivika will use gCO<sub>2</sub>e/kWh and multiply it with the avoided energy use of its green buildings, which will give the total avoided CO<sub>2</sub>e emissions.

Emission reductions from low carbon transport and electric vehicles will be based on EU's requirement for new cars that will be effective from 2021, which is 95 gCO<sub>2</sub>e/km and multiply this with the average km driven per year and person in Sweden, which is 12,040 km/year (SCB statistics from 2018).

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<sup>4</sup> <https://www.energimyndigheten.se/globalassets/statistik/bostader/energistatistik-for-flerbostadshus-2016.pdf>





### 3 Assessment of Nivika’s green finance framework and policies


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

#### Eligible projects under the Nivika’s green finance framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green finance 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 and energy efficient buildings</b>  	<p>The financing or refinancing of the construction, establishment, acquisition, expansion, or upgrade/modification of buildings that meet the criteria defined below:</p> <p>New buildings:</p> <ul style="list-style-type: none"> <li>• A net primary energy demand that is at least 20% lower than the level required by the relevant building regulation or 20% lower than the level required to meet NZEB<sup>5</sup>, once NZEB requirements have been established.</li> <li>• Miljöbyggnad Silver<sup>6</sup> or better for all residential buildings.</li> </ul>	<p><b>Medium Green</b></p> <ul style="list-style-type: none"> <li>✓ The issuer informs us the majority of the proceeds will be used for Green and energy efficient buildings.</li> <li>✓ According to IEA, efficiency of building envelopes needs to improve by 30% by 2025 to be aligned with the Paris target.</li> <li>✓ The highest shading level, Dark Green, is reserved for the highest building standards such as Zero-Energy buildings and passive houses.</li> <li>✓ Refurbishment of existing buildings are often better than new</li> </ul>

<sup>5</sup> Nearly Zero Energy-Buildings (NZEB) are buildings with a very high energy performance, as defined by each EU Member State (mandatory for all new buildings from 2021).

<sup>6</sup> 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.



Wooden buildings<sup>7</sup>:

- Prefabricated wooden buildings using locally produced, Swedish wood as input material certified according to FSC/PEFC.

Existing buildings:

- Buildings with an energy performance within the top 15% (for buildings built before 2021) of the local existing stock, proven by meeting the following criteria: Buildings with an Energy Performance Certificate (EPC) with energy class A or B<sup>8</sup>.

Major renovations:

- Renovation costs for existing buildings that (i) meet the energy performance requirements in the building regulation for major renovations<sup>9</sup>, or (ii) lead to a reduction in primary energy use per square meter and year (kWh/m<sup>2</sup>/year) by at least 30% compared to the pre-investment situation<sup>10</sup>.

Individual energy efficiency measures:

- Direct costs (e.g. material, installation and labour costs) for installing energy efficient technologies such as smart control systems, improved thermal insulation, heat exchangers, green roofs, heat pumps, energy efficient lighting, or costs for enabling renewable energy sources, provided that the measures comply with the minimum requirements set for the individual components and systems in the applicable national building regulation and the investment linked to the measure is aimed at improving energy performance and/or reduce GHG emissions<sup>11</sup>.

constructions from a climate point of view, but should ideally come with greater improvements in energy efficiency.

- ✓ The issuer says they consider construction phase emissions, emissions related to transportation to and from the properties and climate resilience issues.
- ✓ New wooden residential buildings will also have to satisfy Miljöbyggnad Silver.
- ✓ Existing commercial buildings will have dedicated energy management systems in place.
- ✓ 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 for heat.
- ✓ Be aware of potential rebound effects following energy efficiency improvements.

<sup>7</sup> Wooden buildings will not be older than five years (as per 2020).

<sup>8</sup> 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 Sweden. See <https://www.boverket.se/sv/energideklaration/energideklaration/bakgrund/statistik-om-energideklaration/>.

<sup>9</sup> The starting point in the BBR's requirements for renovations for buildings is that there must be the same energy requirements when constructing a new building compared with when altering an existing building. However, it may differ somewhat because the conditions are completely different, ie. it depends on the extent of the change, the conditions of the building, the precautionary requirement and the prohibition on distortion.

<sup>10</sup> To be based on a specialised building survey and validated by an EPC, an energy audit conducted by an accredited independent expert or any other transparent and appropriate method.

<sup>11</sup> Demonstrated through an energy audit, an EPC or any other transparent and adequate method.



**Renewable energy**



The financing or refinancing of investments in renewable energy installations and their related infrastructure (e.g. grid connections and foundations), either in relation to existing buildings or as a stand-alone investment.

- Solar energy technologies, such as Photovoltaic systems (PV), concentrated solar power (CSP) and solar thermal facilities.
- Geothermal power plants and geothermal heating/cooling systems<sup>12</sup>.

**Dark Green**

✓ Facilities will operate at lifecycle emissions lower than 100 gCO<sub>2</sub>e/kW to be aligned with the EU Taxonomy.

**Clean transportation**



The financing or refinancing of electric vehicles and their related infrastructure covering fully electric vehicles and infrastructure supporting electric vehicles, such as charging stations for electricity.

**Dark Green**

✓ Only fully electric vehicles will be eligible.

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 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%.<sup>13</sup> The European Green Deal aims for carbon neutrality in 2050.<sup>14</sup> Sweden has developed a National Energy and Climate Plan (NECP) in which it outlines the targets and strategies in all sectors.<sup>15</sup> 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.<sup>16</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. 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-

<sup>12</sup> Facilities should operate at lifecycle emissions lower than 100 gCO<sub>2</sub>e/kW

<sup>13</sup> [https://ec.europa.eu/clima/policies/strategies/2030\\_en](https://ec.europa.eu/clima/policies/strategies/2030_en)

<sup>14</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>15</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>16</sup> <https://www.iea.org/etp/tracking2017/buildingenvelopes/>



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>17</sup> CICERO Shades of Green assesses all of these factors when evaluating the climate impact of buildings.

According to the Exponential Roadmap<sup>18</sup>, 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<sup>19</sup> 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 Nivika'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 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.

Based on the above, it seems reasonable to expect parts of Nivika's green financing to be aligned with the EU taxonomy. Possible exceptions are related to wooden buildings.

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<sup>17</sup> <https://www.worldgbc.org/how-can-we-make-our-buildings-green>

<sup>18</sup> [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)

<sup>19</sup> 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](https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en)



### Governance Assessment

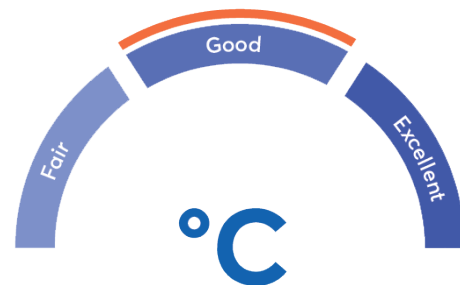
Four aspects are studied when assessing the Nivika's governance procedures: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Nivika have a high environmental awareness on how climate change can impact the real estate sector and vice versa, how the sector directly and indirectly affects greenhouse gas emissions. However, we have not been able to find any reporting on greenhouse gas emissions, nor more concrete targets for future (short term and long term) emissions. There are, however and as noted above, several clear targets for energy efficiencies renewable energy deployment, clean transportation measures, etc. in the short term.

The selection process is good. There is limited formal environmental competence in the Green Finance Committee, but strong and long experience of the building sector. Nivika do not have any currently controversial projects, but should there be complaints, a dialogue will be held with the stakeholders.

Reporting includes relevant impact metrics, but climate footprint reductions are based on a high grid factor. Nivika does not follow the guidelines from TCFD, but plans to report according to GRI Standards: Core option in the near future. They are, nevertheless, very well informed about potential climate challenges (heavy snow loads, flooding near rivers, etc.) and take that into account when planning new projects.

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



### Strengths

Nivika informs us that the majority of the proceeds will be used for the category Green and energy efficient buildings. The Green Finance Framework of Nivika sets fairly high, but realistic criteria for this category, and will secure sound improvements going forward. Substantial impact reporting, increases transparency to investors and is a strength of the framework.

### Weaknesses

Lack of quantitative target for greenhouse gas emissions (at least scope 1 and 2) in the short and long term, is a weakness. Lack of reporting of emissions today makes it difficult to assess the baseline for such targets. External advice will not be part of the green project selection process, but Nivika use external advice in almost all new building projects, from material discussions to energy consumption and sustainability. Other than that, we find no material weaknesses in the framework.

### Pitfalls

The CICERO Dark Green shading is difficult to achieve in particular 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 issuer is encouraged to also consider construction phase emissions and systematically work on reducing emissions related to transportation to and from the properties.



The green buildings eligible under Nivika's framework are falling short of the long-term vision of zero-energy buildings or passive houses. Also, 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.

Nivika is aware of physical and transitional climate risks, but has not formalized the process for climate risk screening.

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. Nivika's work with its property users can actively mitigate the risk of rebound effects related to energy efficiency.



# Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Nivika Fastigheter Green Finance Framework_Sep 7 2020_Förtydliganden	The Green Finance Framework of Nivika, dated 7 September 2020.
2	Årsredovisning-Nivika-2018-2019	Nivika's Annual report for 2018-2019
3	2020-Q3-Nivika-fastigheter-uppslag-medium-res	Nivika's Quartely report from Q3 2020
4	Hållbarhetsredovisning-Nivika-2019-2020	Unfinished draft of Sustainability Report 2019-2020
5	Inköspolicy Nivika 2020	Purchasing policy 2020
6	Arbetsmiljöpolicy Nivika 2019	Work environment policy 2019
7	Elförbrukning 2019-2020	A spreadsheet showing use of electricity and district heating in selected properties for 2019 and 2020.
8	Förvaltarrapport miljö Mestro 2020-07	Report on CO <sub>2</sub> emissions based on Maestro system.
9	Förvaltarrapport Mestro 2020-07	Report on energy use based on the Maestro system.



## 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).

