

# Green Finance Framework

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Green S AB

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# Introduction

## About Green S AB

Green S AB (“the Company” or “Green S”) is a **self-storage facility provider** that was created to focus on the recently merged platforms of Green Storage and 24 Storage. Currently no employees within the Green S AB structure. The employees sit in a separate operating company on the side that provides operational services to the property portfolio.

In Q4 2021, Nuveen, one of the largest real estate managers globally, acquired **Green Storage** and **24 Storage** and consolidated the two companies under one brand Green S. Green Storage was a mid-sized automated self-storage platform with exposure across Stockholm through 8 operational facilities and 6 development projects. 24 Storage was a publicly traded self-storage Real Estate Investment Trust (REIT) listed on the Swedish stock exchange with business dominated in key gateway cities in Sweden. It had 30 facilities, of which 5 under development, and represented the second largest portfolio in the country. The two platforms were successfully **consolidated** under Green S in Q4 2022 providing a single operating platform managed by Nuveen, offering one of the few **full scale automated self-storage platforms** across the globe.

As of Q2 2023, the portfolio comprised of **41 facilities** and c. **20,600 units** in **three key cities**, Malmö, Gothenburg, and Stockholm. In addition, the Company has **5 facilities** under development and another **4 active pipelines**. The total lettable storage area of the portfolio was approximately c.**111,000 sqm** with total property value of **USD 370 million**. Overall occupancy stands at **76%**.



- Operating
- Under development
- Pipeline



## Nuveen's/owner's approach to ESG

As one of the largest **real estate managers** globally, Nuveen is committed to be **net zero carbon by 2040** and has thus fully integrated ESG into its operations and throughout the investment lifecycle where new acquisitions are reviewed for ESG risks and opportunities.

For its **property management**, focus areas includes having **ESG requirements** in place for property managers and operating partners as well as improving the **ESG performance** of buildings while reducing **carbon emissions**. Furthermore, Nuveen deploys the latest **smart building technology** to achieve energy efficiency as well as focusing on **health, wellbeing, and occupier engagement**. In addition, net zero carbon pathways and **climate resilience** measures are considered as part of business plans and developments and **green lease** clauses are incorporated in standard lease agreements.

### ESG in investment process

Further, ESG is also embedded in the end-to-end investment process:

- **Target markets/sourcing:** Potential for increased extreme physical risk, chronic stressors, and/or climate legislation in a given market over a 30-year period is considered
- **Underwriting:** Financial materiality of physical climate risks and impact on returns from investment required to achieve net zero carbon or local regulation assessed
- **Due diligence:** Property assessment includes identification of opportunities to improve energy efficiency and resilience
- **Investment committee:** Investment memo includes discussion of climate risk analysis to the extent it is material to investment decision
- **Onboarding:** Completion of open due diligence studies and business plan development. Set-up of utility data benchmarking accounts

### ESG partnerships & memberships

Nuveen is signatory of **Principles for Responsible Investment (PRI)** since 2012, an active member of **GRESB** since 2021 and an **EPA ENERGY STAR Partner of the Year** since 2007.



## Energy efficient solutions for a low-carbon portfolio

Green S is in the process of integrating sustainability into the Company's business model and strategy. Green S strives to create economically, environmentally, and socially sustainable facilities together with its stakeholders. The Company is aware of its environmental impact and thus Green S strives to invest in **efficient systems** for electricity, heat and ventilation across its portfolio.

The portfolio consists of both matured and newly developed self-storage facilities which have been managed through **operational efficiency, reduced environmental impact** and **low energy consumption**. The facilities are unmanned, 24/7 online and controlled through Internet of Things (IOT) sensors enabling operational efficiency through real time data.. The IT investments within automation, remote control, and IOT sensors gives the Company a platform to excel in environmental efficiency within operations in the short- and long-term.





# The Green Finance Framework

## Green S' rationale for Green Financing

The real estate sector has a large impact on the environment. According to the National Board of Housing, Building and Planning's environmental indicators, it accounts for 34% of Sweden's energy use and 21% of domestic greenhouse gas (GHG) emissions<sup>1</sup>. The ongoing transition of the property sector requires large investments and increases opportunities for external financing. Green S is committed to continue investing in green and energy efficient buildings to further accelerate the Company's sustainability efforts.

## Green S' Green Finance Framework

The establishment of this *Green Finance Framework* (the "Framework") has been developed in alignment with the *Green Bond Principles* from 2021 ("GBP")<sup>2</sup> and the *Green Loan Principles* ("GLP")<sup>3</sup> from 2023. It follows the core components of the principles:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable for issuance of *green bonds* and other types of debt instruments such as *loans*, *revolving credit facilities*, *hybrid bonds* and *commercial papers* (collectively referred to as "*Green Financing Instruments*" hereafter).

Swedbank has acted as advisor to Green S in the establishment of this Framework. Further, an impartial firm has provided a second opinion to confirm its alignment with the applicable principles.



<sup>1</sup> <https://www.boverket.se/sv/byggande/hallbart-byggande-och-forvaltning/miljoindikatorer---aktuell-status/>

<sup>2</sup> Green Bond Principles published in June 2021 (with June 2022 Appendix I) are voluntary guidelines for Issuing Green bonds established by International Capital Markets Association (ICMA)



<sup>3</sup> The Green Loan Principles published in February 2023 are voluntary recommended guidelines, established by Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA)

## Use of Proceeds

An amount equivalent to the net proceeds from Green S' Green Financing Instruments shall be used to finance or re-finance, in whole, or in part, a portfolio of green eligible projects ("*Green Eligible Projects*"). Eligible projects are both capital expenditures/CAPEX (could either be reported directly in the income statement or capitalized on the balance sheet) and operational expenditures/OPEX. CAPEX does not have any requirement for look-back period, while OPEX does have a requirement of maximum three-year look-back period from the time of issuance. Green Eligible Projects aims to enable climate change mitigation as well as provide distinct environmental benefits and comply with criteria detailed in the table below. The Company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Green Eligible Projects. Refinancing refers to Green Eligible Projects that have been finalized 12 months prior to the reporting year. Information on planned allocation of proceeds by project category will be disclosed at pre-issuance for each Green Financing Instrument

### EU Taxonomy

Green S strives to align the Green Use of proceeds with the *EU Taxonomy* to the extent possible. The EU Taxonomy is a classification system with six environmental objectives. The Green Eligible Project categories have been mapped to the relevant *environmental objective; Climate Change Mitigation*, which are presented in the table below.

Green Eligible Projects (ICMA classification)	Sub-categories	EU environmental objective & SDGs
<b>Green buildings</b>	<p><u>New buildings (built after 31 December 2020)</u> Buildings that either have or will receive:</p> <ul style="list-style-type: none"> <li>• EPC A or B</li> </ul> <p><u>Existing buildings (built before 31 December 2020)</u> Buildings that either have or will receive:</p> <ul style="list-style-type: none"> <li>• EPC A or B, <i>or</i></li> <li>• Within top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence</li> </ul> <p><u>Major renovations</u> Major renovations and re-construction leading to primary energy savings of at least 30% within maximum of three years and validated through an EPC upon completion of the renovation</p>	<p>Climate change mitigation</p> 
<b>Energy efficiency</b>	<p><u>Energy efficiency measures</u> Investments such as installation of onsite solar panels, converting to LED lighting, heat pumps, improvements in ventilation systems, extension of district heating and cooling systems, installation of infrastructure for electric cars (electric charging points)</p>	<p>Climate change mitigation</p> 

## Process for Project Evaluation and Selection

The evaluation and selection process for Green Eligible Projects is a key process in ensuring that the proceeds from Green Financing Instruments are allocated to projects and activities which meet the criteria in the Framework.

### Green Finance Committee

Green S has established a *Green Finance Committee* (“GFC”) that meets on a regular basis. Members of the GFC consist of the CEO, CFO and COO who are currently employed within a separate operating company where the majority of shares are owned by Nuveen. More information about the current structure is available under section “About Green S AB” in this Framework. All decisions are made in consensus, and that applies to the selection process of Green Eligible Projects as well. A list of Green Eligible Projects is kept by the CFO who is responsible for keeping this list up to date.

### Responsibilities of the GFC

The GFC is responsible for evaluating the compliance of the proposed Green Eligible Projects with the eligibility criteria outlined in the Use of Proceeds section. Ensuring that the pool of Green Eligible Projects is aligned with the categories and criteria, as specified in the Use of Proceeds section as well as replacing investments that no longer meet the eligibility criteria. The GFC will also approve the Green Finance Report. Further, the GFC will ensure that Green Eligible Projects adhere to applicable laws and regulations. Further, the GFC will also monitor internal processes to identify environmental and/or social risks associated with the Green Eligible Projects.

The list of Eligible Green Projects is monitored by GFC on a regular basis during the term of the Green Financing Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Projects.

### Exclusions

The net proceeds of Green S’ Green Financing will not be used to finance *fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling, or tobacco.*



## Management of Proceeds

### Tracking of net proceeds

Net proceeds from Green S' Green Financing Instruments will be tracked by using a spreadsheet where all issued amounts of Green Financing Instruments will be inserted. The spreadsheet will also contain the list of Green Eligible Projects (see Section "Use of Proceeds"). The information available in the spreadsheet (allocation & impact) will in turn serve as basis for regular reporting (see Section "Reporting") and will be verified by an external party (see Section "External review").

All Green Financing Instruments issued by Green S will be managed on a *portfolio level*. This means that a Green Financing Instrument will not be linked directly to any pre-determined Green Eligible Projects. The Company will keep track and ensure there are sufficient Green Eligible Projects in the portfolio. Projects can, whenever needed, be removed, or added to/from the Green Eligible Project portfolio.

### Temporary holdings

Any unallocated proceeds may temporary be placed in the liquidity reserve or any other treasury business and managed accordingly by Green S. Should there be any unallocated proceeds, Green S strives to allocate them within one year.



## Reporting

To enable investors, lenders, and other stakeholders to follow the development of the projects funded by Green Financing Instruments, a *Green Finance Report* will be made available on the Company's website. The Green Finance Report will include an *allocation report and an impact report* and will be published *annually* as long as there are Green Financing Instruments outstanding.

In the case Green S would have other Green Financing Instruments than bonds outstanding the Company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

### Allocation reporting

The allocation report will include the following information:

- Total amount of Green Financing Instruments issued
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section "Use of Proceeds"
- Share of unallocated proceeds (if any)
- Examples of the relevant Green Eligible Projects

### Impact reporting

The impact report aims to disclose the climate-related impact of the Green Eligible Projects financed under this Framework. Note that if all data cannot be collected, the impact assessment/calculations will be on a best effort basis. The impact assessment will include some of the following impact indicators:

- EPC A or B
- Estimated annual greenhouse gas emissions reduced or avoided per sqm (kgCO<sub>2</sub>e/sqm)
- Annual energy reduced in MWh or GWh compared to the pre-investment situation (for major renovations)

## External review

### Second Opinion

To confirm the transparency and robustness of Green S' Green Finance Framework, it is verified and approved by an external *second opinion provider*. The second opinion by ICS is available on Green S' website together with this Framework.

### External verification

Allocation of proceeds will be subject to an annual review by an *independent party*. The verification report provided by the independent party will be published on Green S' website

