

VGR – Green Bonds Framework

20 June 2017

EARMARKED ACCOUNT

An amount equal to the net proceeds of the issue of the Green Bonds will be credited to a Special Account that will support VGR's Eligible Projects as defined below. As long as the Green Bonds are outstanding and the Special Account has a positive balance, at the end of every fiscal quarter, funds will be deducted from the Special Account and added to VGR's lending pool in an amount equal to all disbursements from that pool made during such quarter in respect of Eligible Projects. Until disbursement to Eligible Projects, the special account balance will be placed in liquidity reserves.

ELIGIBLE PROJECTS

“**Eligible Projects**” means a selected pool of projects funded, in whole or in part, by VGR that promote the transition to low carbon and climate resilient growth and as determined by VGR.

Eligible Projects include projects in line with VGR's sustainability and environmental policies that target mitigation of climate change, including investments in low-carbon and clean technologies such as energy.

Eligible Projects:

- Green buildings:
 - New or existing properties with a certification from Environmental Building (Miljöbyggnad) of at least Silver
 - New or existing properties with an energy input per m² and year that is at least 25 per cent lower than required by applicable regulations (Boverkets byggregler, BBR)
 - Existing properties with major renovation leading to a reduced energy input per m² and year of at least 30 per cent.

VGR's Green Bonds will not finance nuclear or fossil energy generation projects.

VGR's Green Bonds will be used to finance new projects and to refinance Eligible Projects in accordance with the Green Bonds Framework. The ambition is to use the majority of the Green Bond Proceeds for new projects.

SELECTION OF ELIGIBLE PROJECTS

Eligible Projects will be selected in consensus by the Finance Department and the Environmental Department.

TRANSPARENCY

To enable investors to follow the development and provide insight to prioritised areas, VGR will provide an annual Investor Letter to investors including 1) a list of the projects financed, 2) impact reporting on Environmental Building certification and energy performance and 3) the share of financing to new projects and refinancing respectively .

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Investor Letter will be verified by an auditor or other qualified third party. The Investor Letter and the opinion of the auditor or third party will be made publically available on VGR's web page. Furthermore, the principle of free access to public records is applied which enables both investors and potential investors generous insight.

Green Bond Project Selection Process Flowchart

