



SUSTAINABILITY BOND FRAMEWORK

April 2019


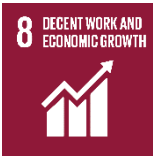



1. INTRODUCTION

About Trianon

Trianon is a real estate company that owns, manages, develops and builds homes and commercial properties in Malmö. We work for sustainable housing, both socially and environmentally, with a working method that is characterized by flexibility, responsiveness and a high level of service.

Trianon is a long-term owner who works with sustainability as an integral part of the company's management. We see that social, economic and environmental sustainability are important success factors and part of our responsibility as a property owner and landlord. We have worked purposefully and intensively with our properties at Lindängen since 2011 and Hermodsdal since 2014. The social and physical sustainability measures we have worked with at Vårsången have resulted in us having turned a negative trend into a positive one. Several of the residents have received work, the properties are today more environmentally sustainable, and the relocation frequency has decreased from 20% to 7%.

At Trianon we work actively with the United Nations Sustainable Development Goals (UN SDGs) and can map several of these to our investment and operating activities. In the table below, we have highlighted some of these and how they related to our work with sustainable housing.

How we work with the UN SDGs to create social and environmental value for our tenants	
	<p>At Trianon we are focused on environmental sustainability as a part of our long-term value creation. Besides a strong focus on the efficient use of energy we are also installing solar panels on some of our houses to increase the usage of clean and renewable energy.</p>
	<p>By offering opportunities for internships and employment (both temporary and permanent), we work to reduce joblessness by bringing in the unemployed to the job market, where proper working conditions can be ensured. In this way, we also increase economic growth in the socio-economically weak areas. We also set income requirements for our new tenant in order to raise the employment rate in the local areas. This helps ensure a positive cycle where tenants are 'nudged' to find work placement.</p>
	<p>We are focused on building new housing in the socio-economically weak areas of Malmö characterized by exclusion and social insecurity. Offering modern homes with proximity to communications contributes to more stable areas where people may thrive and live. Trianon also contributes to increased opportunities for more unemployed residents in our areas to get work because we will use social clauses in the procurement of construction works and renovations.</p>
	<p>Sustainable cities have a very strong connection to Trianon's work, as we want to introduce a modern urban development perspective in our areas. The previous home construction programs have often built with a separate clustering of work, housing and centres. By constructing new housing with mixed forms of usage we contribute to breaking the separation and increasing security. Further, mixing work and housing gives more work opportunities in the local environment and creates new meeting places.</p>
	<p>We invest in energy-saving measures in the socio-economically weak areas. Through 'nudging' and other measures, we encourage the residents to be involved in how to save electricity, sort waste, reduce hot water use, etc. By doing so we look to create environmental value as well as social value, by making the residents feel involved in how their communities are run and how they can contribute to climate action.</p>

Sustainability, both environmental and social, is integrated into our business model

In order for an area to be attractive, people need to feel safe. Safety is an individual feeling, but still one of the most important parameters in choosing a home. It affects the attractiveness and property valuations. There are a number of factors that play a major role in achieving a high safety factor. Three of the most important factors are school, work and the physical residential area. If the school is poor, unemployment is high, or the housing area neglected this increases the likelihood of feeling insecure and the perception of the area becomes negative. In turn relocation increases, and the overall attractiveness drops leading to longer term falls in value of the properties. Further, the path to integration goes through work. An increased employment rate is key to the positive development for both individuals and families, but also for the entire area. At Trianon we have defined 10 Sustainability Targets that we work with to ensure increased stability in areas with poor socio-economic conditions. These targets shape the way we operate, make investments and assess the progress of our work. Although some targets may be more relevant for some projects than others we are guided by these on a company level and are committed to ‘do no harm’.




Trianon’s 10 Sustainability Targets

No	Description of target	Goals after five years
1	Through social clauses in procurements we put demands on our contractors to hire or provide traineeships to unemployed people from our socio-economically weak areas, so that more people have the opportunity to try out the professions in, for example, the construction industry, during renovation or new construction, but also in the administration. The purpose is that it should lead to project or permanent employment or education and not just stay with practice.	30 people long-term unemployed people will come to work.
2	Where relevant Trianon will look to hire unemployed residents from Trianon's areas and integrate them into our working environment, which may lead to employment.	10 people must have been in permanent employment with Trianon.
3	Many young people in socio-economically weak areas do not have parents with contact networks that can help them arrange summer jobs. Through various initiatives we look to provide these young people with such opportunities.	100 young people should have received summer jobs in Trianon.
4	Set minimum income requirements for tenants who move into vacant apartments. By doing so we look to contribute to raising the employment rate in the areas. When the proportion of residents who work falls below fifty percent the risk is to enter a negative spiral, where the norm can easily be shifted to the no work.	The employment rate in the area should have increased by 10 percent.
5	Contribute with a renovation model that makes it possible to renovate apartments for rents that promote long-term tenants. By so doing, existing tenants can afford to stay even after renovation.	Renovate 250 apartments according to our budget model for renovation in socio-economically weak areas.
6	Contribute to increased safety and well-being through both physical and social security-creating measures: <ul style="list-style-type: none"> - Upgrade outdoor environments through physical efforts that contribute to increased safety, such as pruning shrubs, well-designed lighting, investments and upgrades of playgrounds, providing opportunities for cultivation lots, making investments in biodiversity, etc. - Social initiatives for safety and security in the area, such as ‘night walks’. - Local management office with high staffing who knows the residents and can strengthen the relationship, create participation and increase social control in the area. 	That the relocation in the areas should reach a stable level of 10% per year (for goal 6 and 7)
7	Invest in children and young people, for example by cooperating with associations and sports clubs, homework, etc. Especially this is the time that the children do not attend school, evenings, weekends and law. We know from experience that many children and young people in socio-economically weak areas have a great need for employment and that it is difficult for them to get in touch with the association life when one lacks contact networks.	

8	Make vacant apartments available to the City of Malmö to reduce homelessness in the city so that more families can access a permanent residence. The model is that the lease contract is taken over by the household after about one year and becomes a permanent contract.	To help reduce homelessness in Malmö by giving 100 apartments to the city.
9	Build new rental apartments with a reasonable rent especially in the eastern and southern parts of the City of Malmö, so that the low- and middle-income population can afford to move in and thus contribute to a reduced housing shortage.	To build 500 apartments at reasonable rents for low and middle-income earners.
10	We invest in energy-saving measures in the socio-economically weak areas. Through 'nudging' and other measures, we encourage the residents to be involved in how to save electricity, sort waste, reduce hot water use, etc. By doing so we look to create environmental value as well as social value, by making the residents feel involved in how their communities are run and how they can contribute to climate action.	Reduced electricity consumption in the existing housing stock by 2 per cent per year, reduced heat consumption in existing stock by 1 per cent per year, as well as having installed solar cells in existing stock with a capacity of 100,000 kWh / year.

Trianon works on three different renovation models, depending on the renovation needs, the standard of the apartment and geographical location. Common to the three models is that they are based on genuine demand. This means that the renovations are done off what is really needed and done in a cost-effective way. As a result there are limited rent increases, especially in the model 'low' with an increase of around SEK 900 in month (typically a more comprehensive renovation may result in an increase of SEK 2000-3000 for similar type of apartments). This type of low-cost renovation is more socially sustainable in the long term.

Trianon's three models for renovation

Renovation is focused on quality of the apartment and geographical position	
	<p>Renovation "Low" Is mainly used in million programme locations. Total renovation with limited standard increase and low rise in rental cost for the tenant.</p>
	<p>Renovation "High" Is mainly used in central locations and with tenants with higher possibility to pay rent increase. Total renovations including an increase of the standard.</p>
	<p>Renovation "Special" Is mainly used in selected properties due to the tenants needs. For instance block leasing for care companies.</p>

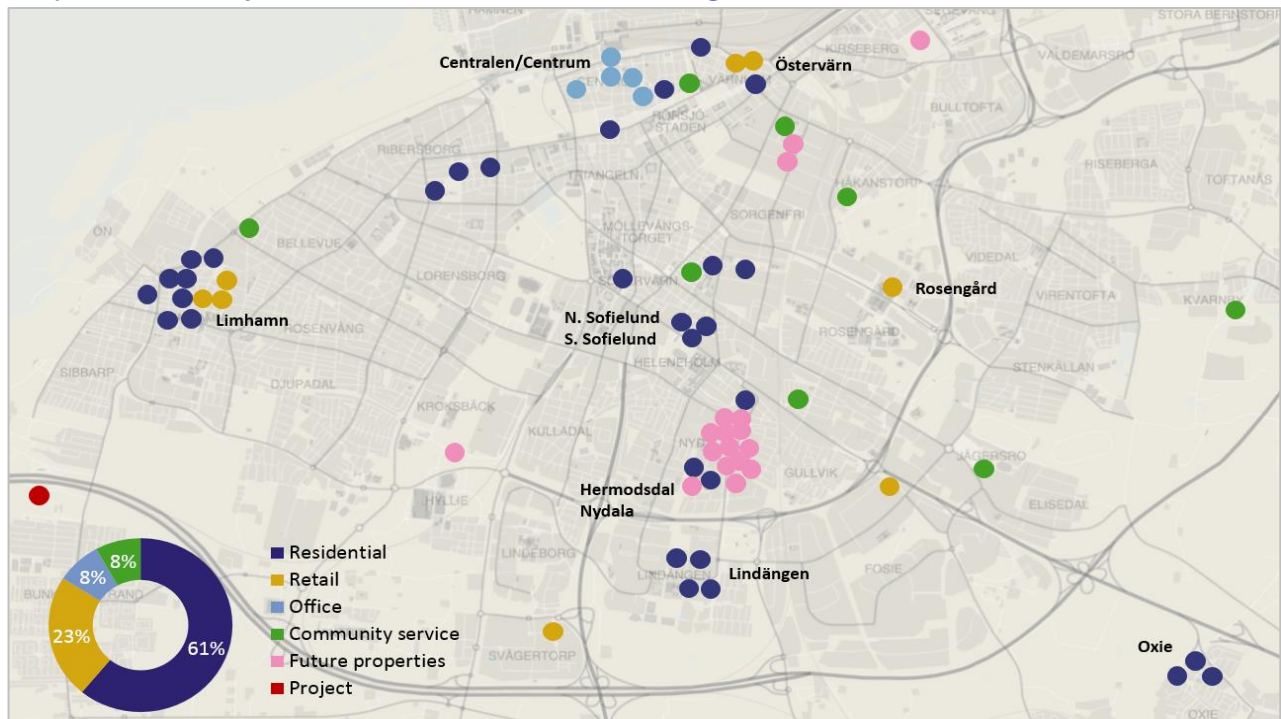
Targeting social impact in the City of Malmö

The gap between the groups that have the best health and those with the worst has increased significantly in recent decades. This applies globally, between different countries and between socially defined groups within a country – and in a city like Malmö. The difference in average life expectancy is four and a half years for women and five and a half years for men, between different city districts in Malmö. The difference in remaining average life expectancy at 30 years of age between those with a low level of education (pre-upper secondary school) and the well-educated (tertiary education) is 4.1 years for women and 6 years for men. The differences have increased in the last 20 years. This is despite the fact that average health in Malmö has improved considerably during the same period.¹

Many different factors may affect the socio-economic situation of a given area. These can typically be grouped into the three categories highlighted above (i.e. school, work and the physical residential area). Several studies involving many of the local stakeholders have been carried in recent years that document these developments in further details.^{2,3} Through these studies and a strong overall alignment between local stakeholders (including the City of Malmö, the police, sport clubs, schools and other real estate companies) we have worked with key initiatives targeting particular areas within the City of Malmö, identified as socio-economically weak areas. These areas highlight the particular group of people that Trianon work with, and which define the relevant ‘target population’ for Social Eligible Project as defined in the Use of Proceeds section. They include, but are not limited to, the following areas:

Södra Malmö	Östra Malmö	Södra Innerstaden
Hermodsdal	Rosengård	Norra Sofielund
Lindängen	Östervärn	Södra Sofielund
Nydala		

Map over the City of Malmö and Trianon’s buildings



¹ Malmö's path towards a sustainable future: Health, welfare and justice, Malmö Stad, 2013

² P. 29, ‘Segregation och segmentering i Malmö’, (Salonen, Grander and Rasmusson, 2019)

³ P. 41, ‘Utsatta områden - Social ordning, kriminell struktur och utmaningar för polisen’ (The Swedish Police, 2017)

For more information on the socio-economic developments in Malmö and identification of the socio-economically weak areas please see the below links:

- The Malmö Commission – [click here](#)
- ‘Malmö's path towards a sustainable future: Health, welfare and justice’ – [click here](#)
- ‘The city’s spatial impact on health: Background report for the Commission for a Socially Sustainable Malmö’ – [click here](#)
- ‘Segregation och segmentering i Malmö’ (in Swedish) – [click here](#)
- ‘Utsatte områden - Social ordning, kriminell struktur och utmaningar för polisen’ (in Swedish) – [click here](#)

Sustainability Bond Framework

This Sustainability Bond Framework is based on the 2018 version of Sustainability Bond Guidelines, and hereunder the Green Bond Principles and Social Bond Principles.

2. USE OF PROCEEDS

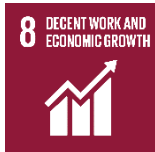


The net proceeds of the Sustainability Bonds issued by Trianon will be used to finance or re-finance Eligible Projects that have been evaluated and selected by Trianon in accordance to this Sustainability Bond Framework. Refinancing of Eligible Projects will have a look-back period of no longer than 3 years from the time of issuance.

Eligible Projects

The Eligible Projects are divided into ‘Social Eligible Projects and ‘Green Eligible Projects’ and are built around Trianon’s 10 Sustainability Targets. They are further divided into three social categories (‘Employment Generation’, ‘Affordable Housing’ and ‘Social Environment’) and three green categories (‘Green Buildings’, ‘Energy Efficiencies’, and ‘Renewable Energy’). Each category is aligned with and mapped to the UN Sustainable Development Goals as well as the listed categories of the 2018 version of the Green Bond Principles and Social Bond Principles.

Social Eligible Projects








Social Eligible Projects include capital and operational expenditures with a targeted overall objective of increasing well-being in the communities identified as socio-economically weak areas through reduced unemployment, and homelessness.

Categories	Description of projects	Social objectives	SDG mapping	SBPs aligned categories
Employment Generation	<p><u>Permanent work placement</u> Long-term work placement of the local residents by Trianon or its partners. <i>Trianon Sustainability Target #1, #2</i></p> <p><u>Temporary work placement</u> Facilitating and creating summer internships for the youth residence. <i>Trianon Sustainability Target #3</i></p> <p><u>Income requirements</u> Setting income requirements for residents that ensure a high degree of employment in the local areas whilst at the same time keeping thresholds below the private market level to ensure a strong social value. <i>Trianon Sustainability Target #4</i></p>	Reducing unemployment and increase economic activity for residents living in the socio-economically weak Areas that Trianon works with	 	Socio-economic Advancement and Empowerment
Affordable Housing	<p><u>New low-cost apartments</u> Build new low-cost rental apartments for people with a low-income level and thereby reduce housing shortage <i>Trianon Sustainability Target #9</i></p> <p><u>Short-to-long term housing</u> Vacant apartments are made available to the City of Malmö to provide short-term housing solution to near-homeless and work to convert these into long-term residents. <i>Trianon Sustainability Target #8</i></p>	Reducing the overall housing gap and homelessness for low-income people living in the ‘socio-economically weak areas that Trianon works with		Affordable Housing

Categories	Description of projects	Social objectives	SDG mapping	SBPs aligned categories
	<p><u>Affordable refurbishments</u> Implementing the right renovation model to ensure existing and new residents are not forced out due to higher costs.</p> <p><i>Trianon Sustainability Target #5</i></p>			
<p>Social environment</p>	<p><u>Improving the outdoor environment</u> Renovating and upgrading the outdoor physical environment to increase the sense of well-being</p> <p><i>Trianon Sustainability Target #6</i></p> <p><u>Local support functions</u> Local offices and support functions with a high level of resources to ensure a strong sense of purpose and unity in the local community</p> <p><i>Trianon Sustainability Target #6</i></p> <p><u>Social activities</u> Social activities such as 'night walks' and collaboration with local institutions to strengthen the social cohesion and a sense of safety.</p> <p><i>Trianon Sustainability Target #6, #7</i></p>	<p>Improve the safety and the well-being in the local communities in the socio-economically weak areas that Trianon works with</p>		<p>Affordable Housing</p>

Green Eligible Projects

Green Eligible Projects include capital expenditures for climate-related activities with the targeted objective of reducing the overall climate footprint of Trianon and its residents.

Categories	Description of projects	UN SDG Mapping
Green Buildings	<p>The construction of new buildings with a certification of Miljöbyggnad “Silver” (or better)</p> <p><i>Trianon Sustainability Target #10</i></p>	  
Energy Efficiencies	<p>Improving energy efficiencies through projects with a targeted gain of minimum 25% or more. Examples of projects include;</p> <ul style="list-style-type: none"> • LED lighting and motion sensor lighting • Modernisation of laundry and washing facilities • Heat exchangers • Individual metering and charging (IMD) • Ventilation and air extraction systems <p><i>Trianon Sustainability Target #10</i></p>	 
Renewable Energy	<p>Investments and maintenance cost of solar panels and district heating.</p> <p><i>Trianon Sustainability Target #10</i></p>	 

3. SELECTION AND EVALUATION OF ELIGIBLE PROJECTS

Trianon has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Projects for its Sustainability bond issuance. To oversee this a Sustainability Bond Committee has been established with members from management, finance, sustainability and business control. The finance representative is the chair of the committee and the sustainability representative holds a veto.

The Sustainability Bond Committee will meet on at least an annual basis to review the pool of Eligible Projects and ensure that all projects are in line with the criteria set out in the Sustainability Bond Framework and is targeted at least one of the Trianon Sustainability Targets set out above.

4. MANAGEMENT OF PROCEEDS

Trianon will establish a Sustainability Bond Register in relation to Sustainability Bonds issued by Trianon for the purpose of monitoring the Eligible Projects and the allocation of the net proceeds from Sustainability Bonds to Eligible Projects. The net proceeds of the Sustainability Bonds issued by Trianon will be deposited into the treasury team's general accounts and subsequently the Sustainability Bond Register will be marked up by an equal amount corresponding.

Trianon will maintain an aggregate amount of Eligible Projects in the Sustainability Bond Register that is at least equal to the aggregate net proceeds of all outstanding Trianon Sustainability Bonds. There may be periods when a sufficient aggregate amount of Eligible Projects have not yet been allocated to the Sustainability Bond Register to fully cover the proceeds of each Sustainability Bonds, either as the result of changes in the composition of Eligible Projects or the issue of additional Sustainability Bonds. Any portion of the net proceeds of Sustainability Bonds that have not been allocated to Eligible Projects in the Sustainability Bond Register will be held in accordance with Trianon's normal liquidity management policy. The Sustainability Bond Register will form the basis for the impact reporting.

5. REPORTING

Trianon will annually publish a report on the allocation and impact of Sustainability Bonds issued under this framework. A list of indicative impact KPIs are outlined in the below table. Where relevant Trianon will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer’s Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section methodology, baselines and assumptions used in impact calculations.

List of indicative impact KPIs

Eligible Projects	Indicative impact KPI
Social Eligible Projects	<p><u>KPIs where Trianon have a direct effect on the outcome</u></p> <ul style="list-style-type: none"> • Number of jobs created (short term and long term) • Number of people with access to safe, affordable and sustainable housing • Number of new low-income dwellings created <p><u>KPIs where Trianon may have an indirect effect on the outcome</u></p> <ul style="list-style-type: none"> • Employment rate in the targeted areas • Share of re-housing amongst the residents in the targeted areas • Reduction in crime rate in targeted areas
Green Eligible Projects	<p>Green Buildings</p> <ul style="list-style-type: none"> • Annual energy avoided in MWh or GWh compared to the relevant building code (for new buildings) • Annual GHG emissions reduced/avoided, in tonnes of CO2-equivalents • Avoided kWh/sq m or in percentage terms below national building standards <p>Energy Efficiencies</p> <ul style="list-style-type: none"> • Annual energy avoided in MWh or GWh for new buildings compared to the relevant building code • Annual energy reduced/avoided in MWh or GWh • Annual GHG emissions reduced/avoided, in tonnes of CO2-equivalent <p>Renewable Energy</p> <ul style="list-style-type: none"> • Capacity of energy generation of plant in MW • Annual renewable energy generation in MWh • Annual GHG emissions reduced/avoided in tonnes of CO2-equivalent

6. EXTERNAL REVIEW

Trianon has engaged Cicero Shades of Green to act as an external verifier of this Sustainability Bond Framework and the Eligible Projects. The Second Party Opinion is publicly available on Trianon’s website.