°CICERO Shades of Green

Citycon

Green Financing Second Opinion

31 March 2023

Executive Summary

Citycon is a real-estate company that owns, manages and develops urban, shopping centers in the Nordic region. Citycon owns shopping centers in Finland, Norway, Sweden and Estonia and is also established in Denmark, with about 120 million visitors on an annual basis. Citycon launched its first framework in 2019.

Citycon expects to allocate the majority of net proceeds to green buildings, which would cover both new and existing buildings. It expects that a large share of proceeds will go to its existing shopping centres. Since the last framework, Citycon has developed its strategy to also include the expansion of its residential portfolio, consequently, a share of proceeds will be allocated to the development of residential projects. Investments into energy efficiency measures, constituting a smaller share, are also expected. Both financing and refinancing are expected, where the final share will be included in impact reporting. Given the nature of its portfolio, refinancing will likely be larger than financing.

We rate the framework **CICERO Light Green** and give it a governance score of **Good.** Since our previous assessment of Citycon's green finance framework, the Shades of Green methodology has evolved, where the thresholds for achieving a darker Shade of Green have been raised. While Citycon has tightened the energy criterion since the last framework, it receives a Light Green shading as the criterion does not necessarily ensure that highly energy-efficient assets are financed. While the issuer works well with energy efficiency measures and monitoring, there are uncertainties as to whether the energy consumption criterion for existing commercial buildings ensures that best-performing assets are chosen throughout its portfolio.

SHADES OF GREEN

°CICERO Light Green

GOVERNANCE ASSESSMENT

GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found aligned with the principles.

Strengths

The issuer has shown progress in its sustainability work. Since the last framework, Citycon has strengthened its emission reporting and introduced new performance indicators in its impact reporting. It has also started to investigate how to assess physical climate risks, by developing a climate risk assessment method with consultants for its existing properties. This assessment is already performed for two assets, and it is planning to assess up to six assets yearly moving forward. Citycon is also focusing on installing onsite renewable for all its assets, where as of 2021, 18% of assets produced or recovered energy.

Citycon has well-established routines for ensuring the maintenance and energy efficient operations of its assets. From a 2050 perspective, it is vital to take care of the existing building stock by ensuring that properties are managed well, necessary renovation measures are performed, and that data from the building is tracked so that one can see if the property is performing as it should. It is therefore a clear strength that Citycon has strong policies and procedures, which include using in-use certifications, performing energy audits, and educating maintenance staff facilitates. We also welcome the implementation of a sustainable procurement policy for its existing assets.

It is a strength that Citycon's properties need to be connected to public transport to encourage low-carbon methods of transport. The ambition to encourage low-carbon transportation is further supported by Citycon's targets associated with bicycling and enabling EVs.

Pitfalls

As a result of lacking data, the energy consumption eligibility criteria for existing buildings do not necessarily ensure that highly energy efficient assets are financed. Citycon's energy consumption criterion (125kwh/m2/year in general, 100kwh/m2/year in Norway) is a moderate improvement since the last framework, however, the criterion is not based on in-depth research and benchmarks in the sector. Because of lacking data in the industry, there is currently no consistent data on which Citycon's energy consumption criterion for landlord energy use can be compared across its geographical locations, which creates uncertainty about its ambitiousness compared to similar building stock (shopping centres). Citycon explains that its limit value is ambitious and that some properties, with energy efficiency improvements of 30% Primary Energy Demand (PED), will still not qualify with this criterion.

There are yet no specific considerations given to embodied emissions. For new construction, the construction phase of buildings and material choices heavily influence total emissions and environmental impact. It is therefore a pitfall that Citycon does not have clear policies towards contractors and other partners for new construction, nor targets tied to the construction phase and embodied emissions. Citycon informed us that it is looking to strengthen its environmental considerations in purchasing and procurement, which could cover material choices, and that the current political leadership has requested a proposal for a climate strategy for buildings and properties, however, this work is still under development.

Citycon has put in place a selection committee for eligible projects that works on the basis of the criteria set out in the framework, but it lacks a detailed methodology that includes additional screening criteria and environmental impacts. Project categories where the activities are broad and may be open for interpretation (green roofs, waste management, energy efficiency and renewable energy generation) should ideally be assessed on their life cycle performance, negative externalities across the supply chain and potential rebound effects together in addition to framework criteria. It is encouraging that Citycon has started to look at how to implement physical climate risk and embodied emissions considerations in its broader strategy, and we encourage Citycon to work on implementing such considerations in its selection process.

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Company description

Citycon is a real-estate company that owns, manages and develops urban, shopping centers in the Nordic region, managing assets that total in EUR 4.5 billion. Citycon owns shopping centers in Finland, Norway, Sweden and Estonia and is also established in Denmark, with about 120 million visitors on an annual basis. Citycon owns 35 convenience-based centers, 16 of which are located in Norway, eleven in Finland & Estonia, and eight in Sweden and Denmark. Citycon has been listed on Nasdaq Helsinki since 1988.

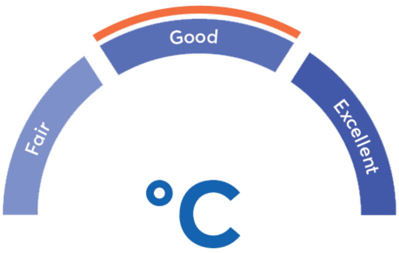
Citycon published its first green financing framework in 2019. The amount of green debt consists of two green hybrid bonds issued in November 2019 and June 2021, totaling EUR 700million, along with a green floating rate 800million NOK bond issued in November 2020 and a fixed rate EUR 350 million green Eurobond issued in March 2021. In the updated framework the activities that can be financed are mostly the same, however they are divided into more project categories. The criteria for the green building category are different for commercial and residential properties.

Governance assessment

Citycon has a well-established sustainability strategy that dates back to 2014. Since then, its use of long term and short-term targets enables investors to follow its progress and in previous reporting Citycon has been transparent on the status of both short- and long-term targets. Generally, Citycon is on track to achieve its targets, with some exceptions, for example, the share of renewables on-site.

Citycon aims to be climate neutral by 2030, which it has defined as having net-zero scope 1 and 2 emissions. Since the last framework, Citycon has strengthened its scope 3 emission reporting. This is a positive development, and we encourage Citycon to further strengthen its reporting by including emissions associated with materials and construction from its development projects. We also encourage Citycon to set quantified scope 3 emission reduction targets.

Citycon has well established routines for ensuring the maintenance and energy efficient operation of its assets. Using in-use certifications, performing energy audits, and educating maintenance staff facilitates reduced energy use in buildings. It is also positive that Citycon has implemented a sustainable procurement policy for its existing assets.



Since the last framework, Citycon has started to look at how to evaluate physical climate risks for its assets, and is currently developing a climate risk assessments for its existing properties with help from external consultants.

Impact reporting is done on a project-by-project basis. Previous reporting has been solid, with the use of relevant performance indicators, and it is encouraging that in the updated framework Citycon has introduced additional indicators.

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

Sector risk exposure

Physical climate risks. For the Nordic building sector, the most severe physical impacts will likely be increased flooding, snow loads, and urban overflow, as well as increased storms and extreme weather. Developing projects with climate resilience in mind is critical for this sector. The real estate sector is also exposed to climate risks through links to the construction industry and the utilities sector.

Transition risks. Citycon is exposed to transition risks from stricter climate policies and, as it does business in different countries, needs to stay up to date and in line with changing regulations in all locations. Changing policies could include mandatory efficiency upgrades or setting limit values for the Global Warming Potential (GWP) of development projects. The company is also exposed to liability risks due to e.g., legal challenges if preventable damages from climate change increase.

Environmental risks. The construction sector is at risk of polluting the local environment during the erection of the properties, e.g., from poor waste handling. There are also risks related to impacts on local biodiversity/habitats as well as the use of un-sustainably sourced material like tropical wood.

Environmental strategies and policies

The company has a sustainability strategy in place, which was launched in 2014. Goals and objectives are evaluated and updated every 3 years, and actions to achieve them are identified. The last strategy was updated in May 2020, and will be updated again at the end of 2022. It currently has long-term objectives for 2030, as well as strategic short-term actions to succeed with its overall objectives. A selection of short term targets are:

- decreasing energy consumption per sq.m by 10% from 2019 levels and 20% from 2014 levels by 2025. In 2021 Citycon reported a 10% reduction compared to 2014 levels.
- Having all assets produce renewable or recoverable energy for their own use. In 2021, 18% of assets produced or recovered energy.
- Facilitate the use of clean transportation to visit its centers, such as electric vehicles (EV) and bicycles. In 2021. 80% of centers had EV charging and 10% had EB charging.

Citycon targets to be carbon neutral by 2030, which includes scope 1 and scope 2 emissions. Citycon reports on all three scopes, where the method for calculating scope 3 emissions has been updated to be more comprehensive than previously. Scope 3 reporting includes e.g., capital goods and waste generated in operations, however it does not include emissions associated with materials and construction of its new developments. Scope 3 emissions accounts for the majority of emissions (170,234 tons CO2e) compared to scope 1 (1,242 tons CO2e) and scope 2 (location-based 31,618 tons CO2e).

Regarding internal policies, in 2021, a sustainable procurement policy was introduced to set guidelines for choosing sustainable materials and services for procurement pertaining to maintenance, repair, replacement and refurbishment works carried out by its own personnel, suppliers or service providers. The policy was recently approved to be implemented in all centers. Citycon also has a policy of performing energy audits every three years for all its assets, which includes suggestions for improvements. For new developments, Citycon will obtain LEED Gold or BREEAM Excellent design phase certificates. According to the issuer, it has the largest environmentally certified shopping center portfolio in the Nordics.

Citycon has recently started to address physical climate risks, and is currently performing tailor-made climate risk assessments for its existing properties. The work is being done with external consultants, and it considers how heavier rain, snow loads, extreme weather and floods will influence its assets.

A part of Citycon's business strategy is to extend its residential portfolio and increase the densification and diversity of Citycon's urban hubs. It is currently building six residential towers in its shopping center in Lippulaiva, and has projects planned and under construction in Norway and Sweden. The Lippulaiva project qualifies under the nearly-zero energy building threshold in Finland and has a geo-energy solution. Lippulaiva is awarded LEED Gold and was the world's first center to be awarded Smart Building's Gold certificate.[1]

Green finance framework

Based on this review, this framework is found to be aligned with the Green Bond Principles and the Green Loan Principles. For details on the issuer's framework, please refer to the green financing framework dated March 2023.

Use of proceeds

For a description of the framework's use of proceeds criteria, and an assessment of the categories' environmental impacts and risks, please refer to section 2.

Selection

Citycon has established a Green Finance Committee (GFC) with members from Citycon's group treasury, sustainability team and development team. Only projects which are approved by all members can be selected as eligible assets. An appointed person within the sustainability person has veto right. A list of eligible assets is kept by the group treasury who is responsible for keeping the list up to date. The selection process is as follows:

- A member of the sustainability team reviews available assets and evaluates eligibility of the potential assets.
- A member of the sustainability team gathers a list of eligible assets based on these criteria and presents these to the GFC.
- Citycon's GFC verifies the eligibility of the potential green assets and makes the final approval.
- Citycon's GFC gathers quarterly to review and assure that the eligibility status of assets has not changed. If the status has changed, the asset or project in question is added to, or removed from, the list of eligible assets.

Management of proceeds

Green finance proceeds are tracked by the issuer. Citycon has established a register for the purpose of monitoring the eligible assets and the allocation of net proceeds. The group treasury is responsible for ensuring that net proceeds are financed in accordance with the framework.

All green financing issued by Citycon will be managed on a portfolio level. Citycon will keep track and ensure that there are sufficient eligible assets in the portfolio so that the number of green assets will exceed the amount of outstanding green financing instruments.

Assets will be removed from the portfolio if they cease to meet the eligibility criteria in the framework.

[1] smart building collective

There may be periods when a sufficient amount of eligible assets has not yet been allocated to the register to fully cover the proceeds of each green financing instrument. Any portion of the net proceeds of green financing instrument that have not been allocated to eligible assets in the green asset register will be held in accordance with Citycon's normal liquidity management policy, which are not invested in nuclear or fossil fuel energy generation, weapons or tobacco. The register will form the basis for the impact reporting.

Reporting

Citycon will report annually and will follow the guidelines in the Nordic Public Sector Issuer's Position Paper. The annual report will be published on Citycon's website and cover allocation and impact reporting.

Allocation reporting will include

- Total amount of green financing instruments outstanding
- A list of total eligible assets identified (as long as not of sensitive nature), broken down by categories
- Descriptions and case studied of selected eligible assets

Impact reporting will be done to the extent data is available. Reporting will include one or several of the key performance indicators listed in table 1. All indicators will be used, that are relevant for each asset.

Green Project Category	Indicators
Green buildings	• Type of certification and degree of certification for buildings and projects • Energy performance for buildings (kWh/m^2) • Annual greenhouse gas emissions for buildings (tCO2e). When reporting on annual greenhouse gas emissions from buildings, the scope of the reporting will include energy use, water use and emissions from waste management. • Renewable energy produced (MWh)
Energy efficiency	• Examples of energy efficiency projects conducted • Energy performance improvement (kWh/m^2) • Square meters of green roofs in portfolio (sqm.)
Clean transportation	• Number of charging stations for electric vehicles, bicycle parking • Visitors arriving by public transport
Renewable energy	• Renewable energy produced for onsite arrangements such as geothermal, hydrothermal or solar energy (megawatt)
Waste management	• Amount of waste avoided, reused or recycled as % of total waste generated

Table 1. Key performance indicators.

In addition to the reporting described, Citycon publishes a quarterly update on its website, showing the total amount of green assets in each category in each category and the total amount of outstanding green financial instruments.

Citycon has reported on allocation and impact yearly since 2019. In 2021, the vast majority of green bond proceeds were allocated to existing buildings under the project category green buildings. The reporting included certification level for assets, energy performance, renewable energy source and production on assets as well as a detailed description of some highlighted projects.

2 Assessment of Citycon's green finance framework

The eligible projects under Citycon's green bond framework are shaded based on their environmental impacts and risks, based on the "Shades of Green" methodology.

Since our previous assessment of Citycon's green finance framework, the Shades of Green methodology has evolved. Among others, the thresholds for achieving a darker Shade of Green have been raised; this is reflected in the different shades allocated to the 2022 framework compared to the 2019 framework.

Shading of eligible projects under Citycon's green financing framework

- In 2021, the vast majority of allocated proceeds went to existing buildings in the project category green buildings.
- Citycon expects that the biggest share of financing will go to green buildings and energy efficiency measures. Citycon expects to mainly finance existing commercial buildings. As residentials are a part of its new strategy, a share of allocated proceeds is also expected to finance the construction of residential buildings.
- Both financing and refinancing are expected, where the final share will be included in impact reporting. Given the nature of its portfolio, refinancing will likely be larger than financing.

Category	Eligible project types	Green Shading and considerations
Green and energy efficient buildings	**Commercial properties** New construction • New construction leading to a consumption at least 10% lower than required by the respective National Building Requirements for new buildings or have/will receive an Energy Performance Certificate (EPC) class A or B[2], and: • Have /will receive a minimum certification of one of the following: i. BREEAM Very Good	**Light Green** ✓ This category receives a Light Green shading due to the energy consumption criterion for existing buildings. The issuer works well with energy efficiency measures and monitoring, however there are uncertainties as to whether energy consumption criterion for existing commercial buildings ensure that energy efficient assets that sufficiently contribute to the transition to a 2050 future are chosen throughout its portfolio.

[2] For buildings in Denmark requirement is 10% more energy efficient than EPC label A

ii. LEED Gold
iii. Or any other well recognized certification scheme with a similar level subject to approval from the Green Finance Committee.

Existing buildings

- Existing buildings with an energy consumption per gross area below 125kWh/m2/year[3] or have/will receive an Energy Performance Certificate (EPC) class A or B[4], and:

- Have /will receive a minimum certification of one of the following:

i. BREEAM Very Good
ii. LEED Gold
iii. Or any other well recognized certification scheme with a similar level subject to approval from the Green Finance Committee.

Residential properties

New buildings

- New construction leading to a consumption at least 10% lower than required by the respective National Building Requirements for new buildings or have/will receive an Energy Performance Certificate (EPC) class A or B[5], and:

✓ The energy criterion for existing commercial buildings, requiring an energy consumption below 125 kWh/m2/year (100 kWh/m2/year for Norwegian buildings), shows a moderate improvement from the last framework (135 kWh/m2/year). Citycon has informed us that the motivation for the improved criterion was to align with market developments. Energy consumption used to assess eligibility is total heating of the shopping center, as well as additional electricity used in common areas.

✓ The issuer provided Shades of Green with a report from Enova[7] to compare the energy consumption criterion to similar building stock in Norway. Tenants energy consumption was included in the report, and when recalculating the energy consumption of Citycon's portfolio to make them comparable to the statistic, it did not show a clear correlation between which properties that were the most energy efficient. The report gave insight in average energy consumption for shopping centers, where the majority of Citycon's shopping centers were below, but the report did not identify the top 15% of the buildings stock.

✓ Regarding the other countries where Citycon operates, because of lacking data in the industry, there is currently no consistent data on which Citycon's energy consumption criterion for landlord energy use can be compared across its geographical locations, which creates uncertainty about its ambitiousness compared to similar building stock (shopping centres).

✓ Because Citycon operates shopping centers in multiple countries with different norms, and that its centers differ in sizes and what type of common areas they

[3] For buildings in Norway an energy consumption per gross area below 100 kWh/m2/year is required
[4] For buildings in Denmark requirement is EPC label A only
[5] For buildings in Denmark requirement is 10% more energy efficient than EPC label A
[7] Enova is a state enterprise owned by the Norwegian Ministry of Climate and Environment. In 2017, it provided a report to look at the energy use in buildings in Norway: Enovas byggstatistikk 2017 (4).pdf

- Have /will receive a minimum certification of one of the following:
  i. BREEAM Very Good
  ii. LEED Gold
  iii. Nordic Swan Ecolabel
  iv. Miljöbyggnad Silver
  v. RTS 2 stars
  vi. Or any other well recognized certification scheme with a similar level subject to approval from the Green Finance Committee.

Existing buildings

- Existing buildings with an energy consumption per gross area below 85kWh/m2/year or 20 percent lower than national requirements or with an Energy Performance Certificate (EPC) class A or B[6], and:

- Have /will receive a minimum certification of one of the following:
  i. BREEAM In Use Very Good
  ii. LEED Gold
  iii. Nordic Swan Ecolabel
  iv. Miljöbyggnad Silver
  v. RTS 2 stars
  vi. Or any other well recognized certification scheme with a similar level subject to approval from the Green Finance Committee.

have, there are uncertainties as to whether the energy consumption criterion alone will be enough to ensure that highly energy efficient buildings that are financed.

✓ For existing residential buildings, the issuer informs us that it will report on total energy use from the properties, and that this will be the basis of the selection of properties for the energy consumption criterion.

✓ The issuer has confirmed that certifications commonly used for existing buildings are in-use certifications. It is important to be aware of the difference between a design-phase certification and an in-use certification, as the structure and requirements of the two are very different. An in-use certifications can be a solid way of ensuring that the management of assets enables continued improved performance of an asset, however they seldom include specific energy efficiency criteria. This is mitigated by the energy criterion in the framework for existing buildings.

✓ For new construction, though good, performing 10% better than national building requirement is considered comparatively modest in some of the countries where Citycon operates. Citycon informs us that all commercial new construction projects will receive a design-phase certification of BREEAM Excellent or equivalent. For all new residential buildings, the ambition is to certify them with Svanen. The ambition level of the certifications mentioned differ in what extent they assess important issues such as energy use, embodied emissions and physical climate risks. We encourage following market standers to provide clarity to the market, however, it is important to be aware of the shortcomings of such certifications.

✓ The BREEAM certification has national manuals for Norway and Sweden that differ from the international manual in their weighting of different topics.

[6] For buildings in Denmark requirement is EPC label A only

		BREEAM -NOR has now implemented an updated manual where embodied emissions and physical climate risks are assessed to a bigger extent than before, while BREEAM-SE is in the process of updating its manual. ✓ All green buildings need to be connected to public transportations. However, parking facilities for private cars are provided. ✓ No buildings with direct fossil fuel heating will be financed ✓ Embodied emissions have not been a direct focus area for the issuer. It is currently working on a sustainability policy for development projects to take into account embodied carbon and the carbon footprint of different materials as well as promoting the reuse of existing projects.
Energy efficiency	• Improvements reducing in a building's energy consumption by at least 30% compared to the current level • Construction of green roofs to reduce the need for heating or cooling, retain rainwater, and ease storm water management • Energy retrofits such as recovering heat from technical systems and appliances, usage of LED lighting, low-flow water fixtures and toilets and improvements in the ventilation systems	**Medium to Dark Green** ✓ Focusing on improving energy performance in existing buildings is essential to decrease the climate footprint of the real estate sector. Measures such as improvements in ventilation systems and usage of LED lighting generally give high energy savings. ✓ The issuer informed us that it performs energy audits for all assets, which are updated every three years. The result of these audits are a list of potential energy efficiency measures where the most impactful are identified. ✓ 80% of the building stock that we will have in 2050 is already built today[8]. Therefore in the transition to a low-carbon society, it is vital to renovate and

[8] Climate change - UKGBC - UK Green Building Council

		improve existing properties. With that perspective in mind, refurbishments with a 30% reduction in PED is an encouraged activity. ✓ Energy performance improvements reporting will be based on measured energy from before and after the measures were implemented. It is a strength that it will report on actual energy saving instead of using approximations. ✓ One should note that energy efficiency measures could be tied to mandatory improvements of technical systems that would take place regardless of the linked energy savings.
Clean transportation	• Activities enabling clean transportation such as charging stations for electric vehicles, bicycle parking and good pedestrian access to make shopping centers easy to visit without a car.	**Medium Green** ✓ From a 2050 perspective, it is positive to facilitate non-fossil-fuel related access to shopping centers by building infrastructure for bicycles and pedestrians as well as investing in charging stations for electric vehicles. ✓ For projects that require construction and the use of vessels, emission intensity and resilience of materials and equipment should be considered.
Renewable energy	• Onsite renewables energy including solar panels that generate electricity • Geothermal energy installations that can be used for both heating and cooling	**Dark Green** ✓ Renewable energy is key to the low carbon transition and represents a Dark Green solution. ✓ Citycon has a short-term target to install renewable energy solutions at all assets, and per now 18% of assets produce or recover energy. Citycon report that PV installations were feasible in fewer assets than anticipated and that it is carrying out feasible studies on both geothermal and PV installations for several assets. ✓ For now, the installation of solar panels is limited to solar panels on roofs

		✓ For geothermal projects, Citycon will calculate emissions linked to the project but has decided not to use a strict limit value as in a Nordic context, replacing district heating with geothermal will most likely give an environmental benefit. Decreased emissions from any energy-saving investment is a criterion for implementation.
Waste management	• Improved waste management such as by offering multiple possibilities to recycle and dispose of waste.	**Medium Green** ✓ The issuer informed us that possible investments are upgrading waste-sorting facilities to increase the number of fractions collected and improve recycling efficiency, and solutions that compost food waste on-site. ✓ Projects should seek to minimize emissions from the construction phase and supply chain.

Table 2. Eligible project categorie

3 Terms and methodology

This note provides CICERO Shades of Green's second opinion of the client's framework dated March 2023. 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 Shades of 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.

'Shades of Green' methodology

CICERO Shades of 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:

	Shading	Examples
°C	**Dark Green** is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.	Solar power plants
°C	**Medium Green** is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	Energy efficient buildings
°C	**Light Green** is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	Hybrid road vehicles

The "Shades of Green" methodology considers the strengths, weaknesses and pitfalls of the project categories and their criteria. 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, including potential macro-level impacts of investment projects.

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 Shades of 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.

Assessment of alignment with Green Bond Principles

CICERO Shades of Green assesses alignment with the International Capital Markets' Association's (ICMA) Green Bond Principles. We review whether the framework is in line with the four core components of the GBP (use of proceeds, selection, management of proceeds and reporting). We assess whether project categories have clear environmental benefits with defined eligibility criteria. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed. The selection process is a key governance factor to consider in CICERO Shads of Green's assessment. CICERO Shades of 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 Shades of Green places on the selection process. CICERO Shades of Green assesses whether net proceeds or an equivalent amount are tracked by the issuer in an appropriate manner and provides transparency on the intended types of temporary placement for unallocated proceeds. Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	Citycon Green Financing Framework March 2023	
2	Sustainability Accounts 2021 Citycon	Sustainability report
3	Citycon Green Financing Allocation Report 2021	Allocation and impact report
4	Citycon Green Financing Allocation Report 2020	Allocation and impact report

Appendix 2:
About CICERO Shades of Green

CICERO Shades of 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 Shades of Green.

CICERO Shades of Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Shades of 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 Shades of 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, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.

Environmental Finance
Bond Awards 2022 Winner
External assessment provider of the year

- **2021 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2020 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2020 Largest External Review Provider In Number Of Deals,** Climate Bonds Initiative Awards
- **2019 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2019 Largest Green Bond SPO Provider,** Climate Bonds Initiative Awards
- **2018 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2018 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2017 Best External Assessment Provider,** Environmental Finance Green Bond Awards
- **2016 Most Second Opinions,** Climate Bonds Initiative Awards