

GREEN FINANCING FRAMEWORK

5 NOVEMBER 2019





1. INTRODUCTION

1.1 About Citycon

Citycon (or “the Company”) is a leading owner, manager and developer of urban, grocery-anchored shopping centres in the Nordic region, managing assets that total EUR 4.5 billion. Citycon is among market leading shopping centre owners in Finland, Norway, Sweden and Estonia and has also established a foothold in Denmark.

Citycon’s grocery anchored shopping centres are located in urban cross points close to where customers live and work, and with a direct connection to public transport. Placed in the heart of communities, Citycon’s multi-functional shopping centres cater for the everyday needs of customers including e.g. health care and municipal services in addition to retail. At the time of publishing this framework, Citycon owns 38 shopping centres, of which 10 are located in Finland, 15 in Norway, 9 in Sweden, including Kista Galleria, 2 in Estonia and 2 in Denmark. In addition, Citycon leases and manages 12 shopping centres in Norway on behalf of other owners. The gross leasable area is 1.1 million sq.m. Citycon’s shopping centres attract approximately 170 million visitors annually. Citycon is recognized as a long-term player committed to sustainable shopping centre management. Citycon has the largest





environmentally certified shopping centre portfolio of 83% in the Nordics, and all new development projects will obtain LEED or BREEAM certificates.

Citycon is listed on Nasdaq Helsinki (CTY1S) since 1988, and is a member of EPRA (European Public Real Estate Association) and has credit ratings from Standard & Poor’s and Moody’s.

1.2 Citycon and sustainability

At Citycon, we believe that operating sustainability is a key cornerstone in creating long-term value. We are committed to sustainable development, high ethical principles and focus on contributing to the community in everything we do. In 2017, Citycon updated its Sustainability Strategy. The Strategy defines long-term main objectives that span until 2030 as well as strategic actions for the next three years aiming at achieving the main objectives. Our new Sustainability Strategy has been taken into action from the beginning of 2018. The short-term Sustainability Strategy is re-assessed and updated every third year. An updated Sustainability Strategy, including updated targets, will therefore be published in 2020 and will be made available on Citycon’s website.

LONG-TERM MAIN OBJECTIVES FOR CITYCON ARE:

Promise	Description	Long-term main object	Selected achievements by 2018
<p>Carbon neutral</p> 	<p>Using less energy and producing more of it ourselves</p>	<p>Citycon is carbon neutral by 2030</p>	<ul style="list-style-type: none"> -47% greenhouse gas intensity from baseline 2014 (kgCO₂E/Sq.m.) -49% climate change impact from baseline 2014 (TCO₂E) 100% share of renewable electricity used for own consumption
<p>Accessible</p> 	<p>Encouraging green transportation</p>	<p>100% of assets are connected to public transportation, encouraging green ways to visit our centres</p> <p>By 2030, vast majority of our visitors will visit us by public transportation, foot, bike or electric vehicles</p>	<ul style="list-style-type: none"> 100% of shopping centres are accessible by public transport 54% of visitors arriving by public transport, foot or bicycle 3,786 bicycle parking spaces 209 charging points for electric cars
<p>Convenient and safe</p> 	<p>Customers, tenants and personnel all feel right at home</p>	<p>Tenant satisfaction stays consistently above 90% in areas of safety, security, hospitality and service-mindedness. In addition, visitor dwell-time in shopping centres will increase</p>	<ul style="list-style-type: none"> 733 community engagement events held 82% of tenants are satisfied with Citycon 0 reports of incidences of non-compliance with health and safety regulations during 2018
<p>Excellence in action</p> 	<p>Making best practice norm</p>	<p>Citycon puts best sustainability practices into effect by following a clear roadmap and monitoring success</p>	<ul style="list-style-type: none"> 83% Breeam in-use certified shopping centres (measured by fair value) Sustainability performance followed up and reviewed quarterly on a group level

HIGHLIGHTS OF CITYCON’S STRATEGIC ACTIONS FROM 2018 ONWARD ARE DISPLAYED BELOW. BY YEAR END 2020 THE COMPANY AIMS TO ACHIEVE THE FOLLOWING:

<p>Renewable energy production in all assets</p>	<p>Decreasing energy consumption per sq.m. by</p> <p>15%</p> <p>(from 2014 levels)</p>
<p>Public transportation options proactively developed together with local stakeholders</p>	<p>Electrical vehicle charging possibilities for cars and bikes in all assets</p>
<p>Youth involvement activities in all assets</p>	<p>Each asset annually aiming to accommodate some space for local community, NGOs or local businesses</p>
<p>Clear objectives and cooperation to implement sustainability actions: lessons learned clearly listed, results reported and best practices actively taken into use across all assets</p>	<p>100%</p> <p>of properties BREEAM In-Use certified with the minimum level being “Good” or higher</p>

SELECTED SUSTAINABILITY ACHIEVEMENTS

Citycon's Buskerud Storsenter was the first shopping centre to use CO₂ as a refrigerant for carbon neutral comfort cooling for the entire building. Energy consumption at Buskerud has decreased by 34% compared to pre-refurbishment. This technology has already been adapted at Linderud Senter and is planned to be implemented in two additional Norwegian shopping centres.

During 2018, Citycon installed one new PV solar power plant and went through a large tendering and planning process for nine more solar power plants. Once they are all operational in 2019, the estimated annual solar electricity production at Citycon's shopping centres will amount to 4,000 MWh. In 2018, we produced 6,693 MWh of locally-produced renewable energy at our solar and geothermal power plants.

Jakobsbergs Centrum converted to geothermal heating and cooling in 2016, and in 2018 expanded the use of renewal energy with photovoltaics. The centre now has the first combined solar and geoenergy plant installed in a shopping centre in Sweden. Approximately 53% of the energy consumed by Jakobsberg's Centrum is manufactured locally, carbon free.

In 2018, our project concerning youths in our shopping centres received the SOSTE Award from the Finnish Federation for Social Affairs and Health, recognising our long-term work for the well-being of youths spending time in our shopping centres.

SUSTAINABILITY AWARDS



Citycon’s Annual and Sustainability Report 2018 was recognized as one of the best in the European real estate industry by the European Public Real Estate Association (EPRA). EPRA, representing leading listed real estate companies in Europe, awarded Citycon a gold award in the financial reporting Best Practices Recommendations (BPR) series for the tenth year in row and in the Sustainability Best Practices Recommendations (SBPR) series for the eight time.



In 2018, Citycon also received the ISS-Oekom “Prime” rating, awarded to companies that achieve the best ESG scores among their sector peers.



As of 2018, Citycon Oyj received a rating of AA in the MSCI ESG Ratings assessment¹. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. The rating was updated in October 2019 and remained at AA level.

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1.3 The Green Financing Framework

Citycon's issuance of Green Financing Instruments is a natural part of the company's sustainability profile enabling Citycon to focus even more on positive environmental impacts. When issuing Green Financing Instruments, this Green Financing Framework (the "Framework") will apply.

This Framework has been developed in alignment with the Green Bond Principles 2018 ("GBP"). The Framework is applicable for issuance of Green Financing Instruments including Green Bonds, Green Commercial Papers, Green Loans, Green Hybrid Bonds or Green Private Placements, and other type of debt instruments where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing Eligible Green Assets with clear environmental benefits.

This Green Financing Framework is aligned with the following four recommended components of the GBP; Use of Proceeds (Section 2), Process for Project/Asset Evaluation and Selection (Section 3), Management of Proceeds (Section 4) and Reporting (Section 5). As such the Framework may be updated from time to time to reflect current market practices and potential updates in the GBP.

Furthermore, the Framework is reviewed by an external impartial firm Cicero that has provided a second opinion to confirm the alignment of Citycon's Green Financing Framework with the GBPs.

This Framework is applicable for issues of Citycon's Green Financing Instruments, whether issued by Citycon Oyj or Citycon Treasury B.V, or any other wholly owned subsidiary. The Framework together with the second opinion by Cicero is available on Citycon's website.

2. USE OF PROCEEDS

Proceeds from Citycon's Green Financing Instruments will be used to finance or re-finance, in part or in full, Eligible Green Assets (as defined below) providing distinct environmental benefits in accordance with the below defined four main categories. Citycon will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets. Eligible Green Assets can be owned by any of the parent company Citycon Oyj's subsidiaries or by joint venture companies. For joint ventures, Citycon will only include assets equal to, or less, than the total funding provided by Citycon.

Eligible Green Assets relevant for use under the Framework include:

Green buildings

- New construction that have or with the objective to receive a minimum certification of "BREEAM Very Good³" or "LEED Gold⁴" and has an energy consumption that is at least 15% lower than that required by the respective National Building Requirements for new buildings
- Construction projects that are initiated before the European Directive on Energy Performance of Buildings comes into force and that qualify as an EU "Nearly zero-energy building⁵"
- Existing buildings having a certification obtained during the construction period (defined above) or buildings that have or with the objective to receive a minimum certification of "BREEAM-in-Use very Good" or "LEED Gold" and has an energy consumption per gross area that is below 135 kWh/m²/year
- New and existing buildings with an Energy Performance Certificate (EPC) class A

In addition, all Green buildings need to be connected to public transportation, thus encouraging green ways to visit the centres. Furthermore, the proceeds from the Green Financing Instruments will not be used to finance Green Buildings that directly use fossil fuels as a source of energy.

Energy efficiency

- Improvements conducted for existing buildings resulting in an energy consumption per gross area that is below 125 kWh/m²/year or reducing the energy consumption by at least 20% compared to the current level
- 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
- Building green roofs to reduce the need for heating or cooling, retain rain water, and ease storm water management
- Activities enabling clean transportation such as charging stations for electric vehicles, bicycle parking and good pedestrian access to make shopping centres easy to visit without a car

Renewable energy

- Onsite renewables energy including solar panels that generate electricity or geothermal energy installations that can be used for both heating and cooling

Waste management

- Improved waste management such as by offering multiple possibilities to recycle and dispose of waste

Eligible Green Assets under "Green buildings", are based on the market value of such assets reported in the balance sheet, less debts from other sources. Eligible Green Assets under "Energy efficiency", "Renewable energy" and "Waste management" correspond to the relevant invested amount.

² Green Bond Principles (2018), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp>

³ Information available at <http://www.breeam.org>

⁴ Information available at <http://www.usgbc.org/certification>

⁵ Information available at <https://ec.europa.eu/energy/en/topics/energy-efficiency/buildings/nearly-zero-energy-buildings>. Applicable only to construction projects that are initiated before the European Directive on Energy Performance of Buildings comes into force.

3. PROCESS FOR ASSET EVALUATION AND SELECTION

3.1 Environmental sustainability objectives

Citycon's has been a frontrunner in sustainability as the company believes it can contribute to better communities with sustainable shopping centres. Sustainability is an integral part of the way of working at Citycon. In 2017 Citycon defined clear sustainability priorities and made an assessment of how the company can create more value through sustainability. The four long-term sustainability objectives of the new strategy are available in Section 1.2.

3.2 Selection of Eligible Green Assets

The evaluation and selection process for Eligible Green Assets is a key process in ensuring that the proceeds from Green Financing Instruments are allocated to assets and activities which meet the criteria in the Framework. The process is based on the criteria and components described in the Framework.

The selection of Eligible Green Assets is managed by the Green Finance Committee consisting of members from the Group Treasury, Sustainability Team and Development Team. Only project/assets which are approved by all members can be selected as Eligible Assets. An appointed person within the Sustainability Team has a veto in all decisions connected to the selection of the Eligible Green Assets.

A list of Eligible Green Assets is kept by the Group Treasury and the Group Treasurer is ultimately responsible for keeping this list up to date. The list of Eligible Green Assets is monitored during the term of the Green Financing Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Assets on a regular basis.

3.3 Exclusion

The proceeds from the Green Financing Instruments will not be used to finance assets that directly use fossil fuels as a source of energy, neither will they be used to finance nuclear or fossil fuel energy generation, weapons or tobacco.

4. MANAGEMENT OF PROCEEDS

Citycon will establish a Green Asset Register in relation to Green Financing Instruments issued by Citycon for the purpose of monitoring the Eligible Assets and the allocation of the net proceeds from Green Financing to Eligible Assets. The Group Treasury is responsible for ensuring that the net proceeds are financing Eligible Green Assets in accordance with this Framework.

All Green Financing issued by Citycon will be managed on a portfolio level. This means that a Green Financing Instrument will not be linked directly to one (or more) pre-determined Eligible Green Assets. Citycon will keep track and ensure there are sufficient Eligible Green Assets in the portfolio, i.e. the amount of Eligible Green Assets will exceed the amount of outstanding Green Financing Instruments. Assets can, whenever needed, be removed or added to/from the Eligible Green Assets portfolio.

There may be periods when a sufficient aggregate amount of Eligible Assets has not yet been allocated to the Green Asset Register to fully cover the proceeds of each Green Financing Instrument, either as the result of changes in the composition of Eligible Assets or the issue of additional Green Financing. 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, however so that they are not invested in items excluded in 3.3. The Green Asset Register will form the basis for the impact reporting.



5. REPORTING

To be fully transparent towards the Green investors and other market stakeholders, Citycon commits to regular reporting as long as it has Green Financing Instruments outstanding. The annual report will be made available on Citycon's website and cover the following two areas.

Allocation of proceeds reporting

Allocation of proceeds for Green Bonds, Loans, Hybrid Bonds, Green Private Placements, Green Commercial Paper and possible other type of Green debt instruments will be published on the company's website on an annual basis.

- 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
- Share of proceeds used for financing/re-financing

Impact reporting

The impact report will include a list of Eligible Green Assets with the below criteria indicating the environmental impact to the extent data is available:

- Type of certification and degree of certification for buildings and projects
- One or several of the following key performance indicators:

- Energy performance for buildings (kWh/m²)
- Annual greenhouse gas emissions for buildings (tCO₂e)
- Renewable energy produced for onsite arrangements such as geothermal, hydrothermal or solar energy (megawatt)

Other relevant key performance indicators such as share of visitors arriving by public transport or bicycle and number of charging stations for electric vehicles, bicycle parking etc. will also be published on group level.

In addition to the above described annual reporting, a quarterly update will be published on the company's website, showing the total amount of green assets in each category and the total amount of outstanding green financial instruments (i.e. not a complete list of assets).

6. EXTERNAL REVIEW

To confirm the transparency and robustness of Citycon's Framework, it is verified and approved by an external second opinion provider Cicero. The second opinion by Cicero is available on Citycon's website.

The allocation of proceeds will be subject for an annual review by an external part. A verification report provided by the external part will be published on the company's website.

