



Green Financing Framework

31 March 2023



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1. Introduction

1.1 About Citycon

Citycon is the leading owner and developer of mixed-use, necessity-based centres in the Nordics and Baltics. Citycon's assets in its EUR 4.3 billion portfolio have direct access to public transportation and are located in major cities in Finland, Sweden, Norway, Denmark and Estonia. The company transforms unique locations into sustainable communities and cities full of life, serving millions of people every year through retail, grocery, healthcare, municipal, office and housing offerings. At the time of publication of this framework, Citycon owns 33 centres, 14 of which are located in Norway, 11 in Finland & Estonia, 8 in Sweden & Denmark, including Kista Galleria. The gross leasable area is 1.1 million square metres.

Citycon is recognized as a long-term player committed to sustainable centre management. Concrete example of Citycon's strategy is urban hub Lippulaiva, which opened on 31 March 2022 and includes in total approximately 100 stores. Lippulaiva will be surrounded by eight residential blocks with 560 apartments. Lippulaiva has been designed with the future in mind and is a nearly-zero energy building benefitting from many sustainable energy solutions. The most extensive geoenergy solution for any European commercial building has been constructed under Lippulaiva, and the centre's electricity consumption is optimised

with smart control. Lippulaiva is awarded LEED Gold environmental certificate and furthermore Lippulaiva is the world's first centre to be awarded Smart Building's Gold certificate.

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's commitment to Climate Change Mitigation

Construction of buildings and the actual buildings are together responsible for over 30 per cent of global final energy consumption, as well as for 40 per cent of total direct and indirect carbon emissions according to the IEA and the UN Environmental Programme.

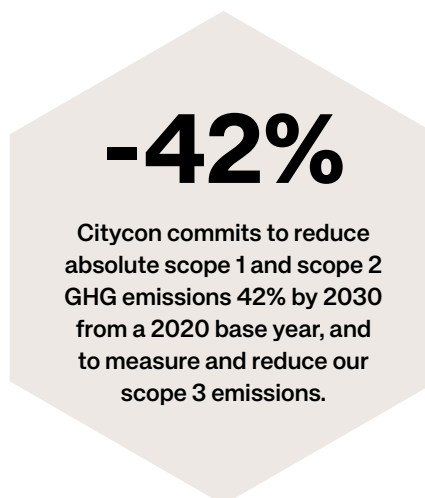
Climate Change Mitigation is a core priority for Citycon and we believe that operating sustainably is a key cornerstone in creating long-term value. We are committed to sustainable development, high ethical principles, and contributing to the community in everything we do. We aim to take into account environmental aspects and well-being in the areas surrounding our properties. We will continuously look for opportunities to improve our environmental performance by reducing greenhouse gas emissions, energy use and waste in all our operations.

Citycon is committed to becoming carbon neutral by 2030. Furthermore, we will aim to have no direct carbon emissions from our own assets and that all our purchased energy will be carbon neutral in 2030. The target is in line with the Paris Agreement and is more ambitious than targets set by the Science Based Target Initiative (SBTi). It requires us to take energy efficiency measures, increase our own renewable energy production, cooperate with our tenants for energy conservation, and increase the share of carbon neutral energy purchased. Citycon's SBTi targets, which were approved in September 2021 are outlined in the graph on the right.

Key steps in achieving our climate ambitions, concretized by our carbon emission reduction targets are engagement with construction companies in the building process, energy efficiency measures in our buildings, increased use and production of renewable energy and an increased share of environmental certified and energy efficient buildings.

To enable investors to take part in Citycon's climate change mitigation ambitions, this Framework has been developed to direct capital to sustainable investments and activities made by Citycon.

Science Based Target initiative approved climate targets



The targets covering greenhouse gas emissions from company operations (scopes 1 and 2) are consistent with reductions required to limit warming to 1.5°C.





1.3 Citycon and sustainability

At Citycon, we believe that operating sustainably 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. Our sustainability strategy defines Citycon’s main long-term objectives, which span until 2030, as well as strategic actions for the next years aiming at achieving the main objectives. In 2023, we will update our sustainability strategy. New focus areas will be added to the strategy, and more ambitious targets will be set in some areas where we have already made good progress. The new strategy will be increasingly ambitious compared to the one we have today. The official launch of the updated strategy will take place during Q2 2023, after which the strategy is available in full on [our website](#).

Transparency on sustainability

Citycon’s sustainability accounts are based on the GRI sustainability reporting guidelines. In the coming years we will conduct climate risk assessments on certain assets. We consistently comply with the applicable laws and regulations of our operating countries in the Nordic and Baltic region. Citycon’s Code of Conduct reinforces our values and lays the foundation for our business operations, guiding our personnel to act both ethically and responsibly. Our strategy and activities take into account and reflect the ethical principles described in our Code. Additionally, we are committed to embracing high ethical principles and have a continuous desire of being a reliable partner in each community and in all of our business activities. Furthermore, everyone at Citycon is annually reminded of the importance of following high ethical standards. How to act and behave whilst being employed by Citycon is described in our Business Code of Conduct.

Goals of our sustainability strategy

 <p>Excellence in action: Making best practices the norm</p>	 <p>Carbon neutral: Using less energy and producing more of it ourselves.</p>	 <p>Accessible: Encouraging green transportation.</p>	 <p>Convenient and safe: Customers, tenants and personnel all feel right at home.</p>
<p>Citycon puts best sustainability practices into effect by following a clear roadmap and monitoring success.</p>	<p>Citycon is carbon neutral by 2030.</p>	<p>By 2030, the majority of our visitors will visit us by public transportation, foot, bike or electrical vehicles.</p>	<p>Continuously taking actions to improve the experience of safety, security, hospitality and service-mindedness.</p>

Citycon's sustainability achievements over the years



In May 2022, we were ranked, for the second consecutive year, in the top quarter in Europe's Climate Leader Companies survey conducted by the Financial Times and the German research company Statista.



In October 2021 we became the first real estate company in Finland to commit to the Science Based Targets initiative (SBTi).



In 2022, Citycon produced 11,810 MWh of onsite renewable energy at solar, geothermal and hydrothermal powerplants. Since 2021, 100% of the electricity bought for both our own and our tenants' consumption has been green.



In 2022, Lippulaiva was awarded for its sustainability by the Finnish Council of Shopping Centers. The jury appreciated the involvement of families and young people in the surrounding areas in the development of the centre already during the construction phase.



In 2018, our project concerning youths in our 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 centres.

Sustainability awards



In 2022, the urban centre Lippulaiva became the world's first centre to be awarded Smart Building's Gold certificate. Lippulaiva received particularly high scores on the building environment and the building performance. Smart Building Certification measures how smart buildings are using a variety of criteria, such as building usage, user behaviour and collaboration, building performance, building environment and safety and security.



Citycon Oyj received a rating of AAA in the MSCI ESG Ratings assessment 2023¹. 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.



Citycon's Annual and Sustainability Report 2021 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 thirteenth year in row and in the Sustainability Best Practices Recommendations (SBPR) series for the eleventh time.



Since 2018, Citycon has received the ISS-Oekom "Prime" rating, awarded to companies that achieve the best ESG scores among their sector peers.

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2. 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 2021 ("GBP")² and the Green Loan Principles 2023 (GLP)³. 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 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.

2.1 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 five main categories. Citycon will continuously exercise 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.

Due to differing regulatory thresholds and market standards for green buildings, regional variations to the definitions are outlined in the footnotes.

² Green Bond Principles (2021), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

³ Green Loan Principles (2023), <https://www.ista.org/content/green-loan-principles/>

Eligible Green Assets relevant for use under the Framework include:

Green Bond Principles Category

Commercial properties

Green and energy efficient buildings



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 B⁴, and
- have/will receive a minimum certification of one of the following:
 - i. BREEAM Very Good
 - ii. LEED Gold
 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 125 kWh/m²/year⁵ or with an Energy Performance Certificate (EPC) class A or B⁶, and
- have/will receive a minimum certification of one of the following:
 - i. BREEAM Very Good
 - ii. LEED Gold
 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 an Energy Performance Certificate (EPC) class A or B⁷, and
- 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
 or any other well recognized certification scheme or similar level subject to approval from the Green Finance Committee

Existing buildings

- Existing buildings with an energy consumption per gross area below 85 kWh/m²/year or 20% lower than national requirement or with an Energy Performance Certificate (EPC) class A or B⁸, 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
 or any other well recognized certification scheme or similar level subject to approval from the Green Finance Committee

⁴ For buildings in Denmark requirement is 10% more energy efficient than EPC label A

⁵ For buildings in Norway an energy consumption per gross area below 100 kWh/m²/year is required

⁶ For buildings in Denmark requirement is EPC label A only

⁷ For buildings in Denmark requirement is 10% more energy efficient than EPC label A

⁸ For buildings in Denmark requirement is EPC label A only

Green Bond Principles Category

Energy efficiency



- Improvements reducing 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

Clean transportation



- Activities enabling clean transportation such as charging stations for electric vehicles, bicycle parking and good pedestrian access to make centres easy to visit without a car

Renewable energy



- Onsite renewables energy including solar panels that generate electricity
- 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

In addition, all Green buildings need to be connected to public transportation, thus encouraging low-carbon methods of transport. 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.

Eligible Green Assets under “**Green and energy efficient buildings – Existing buildings**”, are based on the fair value of such assets reported in the balance sheet, less debts from other sources.

Eligible Green Assets under “**Green and energy efficient buildings – New buildings**”, “**Energy efficiency**”, “**Clean transportation**”, “**Renewable energy**” and “**Waste management**” correspond to the relevant invested amount.

2.2. Process for asset evaluation and selection

Selection of Eligible Green Assets

Citycon has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Assets for Green Financing issuance. To oversee this, a Green Finance Committee (“GFC”) has been established with members from Citycon’s Group Treasury, Sustainability Team and Development Team. Only projects/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.

The GFC follows the below process when selecting and evaluating projects to be included in Citycon's Eligible Green Asset pool.

- Citycon's sustainability team follows up and reports on (30) sustainability KPIs per asset quarterly and yearly. The full year data is Audited by a third party and reported in the annual Sustainability Accounts.
- A member of the Sustainability Team reviews available assets and evaluated eligibility of the potential assets and projects according to eligibility criteria in the above table and removes assets and projects that do not meet the criteria.
- 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.

A list of Eligible Green Assets is kept by the Group Treasury which 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.

2.3 Management of proceeds

Citycon has established 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. 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 that 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 will be removed from the Green Asset Register if it would cease to meet the Eligibility criteria set out in this Framework.

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 nuclear or fossil fuel energy generation, weapons or tobacco. The Green Asset Register will form the basis for the impact reporting.

For the avoidance of doubt, with regards to green buildings, the Green Asset Register is based on levels observed a normal year. The Green Asset Register will not include or remove assets based on extreme conditions.

2.4 Reporting

To be fully transparent towards investors and other market stakeholders, Citycon commits to annual reporting as long as it has Green Financing Instruments outstanding. Where relevant, Citycon 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, as well as the EU Taxonomy. 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 Citycon'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
- Descriptions and case studies of selected Eligible Assets

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 and one or several of the following key performance indicators:

Green Project Category	Indicators
Green buildings  	<ul style="list-style-type: none"> • Type of certification and degree of certification for buildings and projects • Energy performance for buildings (kWh/m²) • Annual greenhouse gas emissions for buildings (tCO₂e) • Renewable energy produced (MWh)
Energy efficiency  	<ul style="list-style-type: none"> • Examples of energy efficiency projects conducted • Energy performance improvement (kWh/m²) • Square meters of green roofs in portfolio (sqm.)
Clean transportation   	<ul style="list-style-type: none"> • Number of charging stations for electric vehicles, bicycle parking • Visitors arriving by public transport
Renewable energy 	<ul style="list-style-type: none"> • Renewable energy produced for onsite arrangements such as geothermal, hydrothermal or solar energy (megawatt)
Waste management 	<ul style="list-style-type: none"> • Amount of waste avoided, reused or recycled as % of total waste generated

In addition to the above-described annual reporting, Citycon publishes a quarterly update on our website, showing the total amount of green assets in each category and the total amount of outstanding Green Financing Instruments (i.e. not a complete list of assets).

Citycon may choose to report the impact and allocation of other Green Financing Instruments than bonds directly, and non-publicly, to the lenders or counterparts. For the avoidance of doubt, a Green Asset cannot be financed by several Green Financing Instruments at the same time.

2.5 External review

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

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