

# Green Bond Framework

August 2023



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# 1. INTRODUCTION

## 1.1 Introduction

The global average temperature has increased 1.1 degrees Celsius since the industrial age. Climate change due to emissions of greenhouse gases are already having a widespread effect on the environment and according to the Intergovernmental Panel on Climate Change (IPCC) the prognosis is for the global warming to increase to a total of around 1.5 degrees Celsius within the next decade. The effects on the environment and people of all nations are inevitable. In order to shift course industrialized countries must join together immediately to reduce greenhouse gases roughly in half by 2030.

The Real Estate sector are responsible for a significant portion of greenhouse gas emissions through its energy use, use of building material and by extension through the operations carried out by its tenants. As a responsible property owner Svenska Handelsfastigheter recognizes the importance of a rapid decrease of energy use, climate efficient construction and support for tenants to lower their energy use as a crucial and integral part of its business model.

## 1.2 Introduction to Svenska Handelsfastigheter

LSTH Svenska Handelsfastigheter AB (Svenska Handelsfastigheter) is a Swedish property company with a focus on retail properties containing groceries and discount retail. The company's business idea is to acquire, manage and refine tomorrow's retail parks together with leading retail actors. It develops the properties by engaging in new investments and acquisitions as well as refining existing premises. The company's objective is to secure long term and attractive development for the retail parks which benefits consumers, tenants and municipalities. Through experience, a long-term approach and active collaboration with tenants and municipalities, value is created for all parties.

The majority of tenants are large Swedish retail stores for groceries, ICA being the largest followed by Bergendahl, COOP and Axfood.

## 1.3 Sustainability at Svenska Handelsfastigheter

Sustainability is a central part of Svenska Handelsfastigheter's business model. The starting point has been to take the company's strengths into consideration and develop a business based on the view that environmental, social and economic sustainability is created by taking advantage of the opportunities the company can influence. The business concept is further reflected in the company's values: experience, long-term perspective and collaboration.

These values permeate the entire business and contribute to creating sustainability in the business model through, among other things, close cooperation with tenants, municipalities and financiers, as well as a long time horizon in terms of customer relationships, investments and financing. Sven-

ska Handelsfastigheter strives to create a win-win-win concept: for the environment, our tenants and for the company.

### ESG Risk Rating

In 2022, Svenska Handelsfastigheter received an ESG Risk Rating of 9.4 from Sustainalytics, which places the company in the lowest risk category from a sustainability perspective. In 2023, this ESG Risk Rating was reconfirmed by Sustainalytics and the very low risk makes Svenska Handelsfastigheter the best ranked property company within the Nordic countries.

## 1.4 Svenska Handelsfastigheter's Sustainability Focus Areas

### SUSTAINABILITY FRAMEWORK

During the last couple of years, Svenska Handelsfastigheter has carried out a major development work on sustainability that has resulted in a sustainability framework guiding the company in its sustainability journey. As part of this work, Svenska Handelsfastigheter has taken into account both risks and opportunities connected to its business and sustainability but also how Svenska Handelsfastigheter can contribute to the UN Sustainable Development Goals. This has involved a discussion with owners on their expectations as well as dialogues with several tenants on how collaboration within sustainability can be strengthened.

Based on this, the sustainability framework is built around four focus areas – resource efficiency and climate, sustainable urban development, employees and responsible business – identified as material for the company. Each area is governed by a dedicated member of the management team and each focus area has relevant policy documents, goals, indicators and activities to achieve the goals. The steering documents include a number of policy documents, including environmental policy, energy policy, purchasing policy, maintenance policy, work environment policy and gender equality policy.

### RESOURCE EFFICIENCY AND CLIMATE



As the construction and real estate industry causes a significant climate impact through its energy and material use, it is in this area Svenska Handelsfastigheter sees the greatest opportunities to make a difference. Svenska Handelsfastigheter chooses sustainable and resource-efficient solutions for its own operations and customers. The company only receives electricity labelled Good Environmental Choice which solely includes renewable and carbon-neutral energy. The company continuously work with energy efficiency and energy minimisation in its properties. To encourage employees goals are set on number of energy efficiency projects each year as well as ambitious goals on environmental certifications. The work have resulted in reduction in direct and indirect emissions per square meter of about 35% between 2020 and 2022.

Although reducing the carbon footprint is of tremendous importance the consequences of climate change already

happening have to be considered as well. To ensure the safety of people and protect the value of its properties climate risk analyses was carried out in 2022 focusing on water and durability of land. Routines are in place for monitoring risk factors on properties with an increased risk of damage due to climate change.

## SUSTAINABLE URBAN DEVELOPMENT



Svenska Handelsfastigheter is a long-term player that develops the city in collaboration with the municipality and the customer. However, Svenska Handelsfastigheter is not in the usual sense a city developer as strategy and focus is on the development of external trading venues and grocery stores in stand-alone locations. There is close interaction between external trade and the function of the city centre. In addition, the vast majority of locations in which Svenska Handelsfastigheter has a presence are growing, which means that trading locations that were previously outside the central parts of the urban area end up in centre of the city.

Urban development is a very long process that includes vision work as well as overview and detailed plans. In order to try to understand the development the cities will undergo, Svenska Handelsfastigheter together with Wingårdh's architectural office has started a major work under the name Stadskärna 2050. This work brings together representatives of the public, academia and property owners also in trade. The aim is to try to create a vision of the functioning of the urban area and what will be required of urban development over the next 30 years. With a better vision and development plan, the work towards a sustainable society can be conducted more efficiently. A circular economy must be made possible. This also includes gaining an understanding for how the development of trading venues can support the city's development in the same direction.

The company's properties are located in good infrastructure locations for passenger cars in many of the country's municipalities. To facilitate the transition to fossil-free transport, Svenska Handelsfastigheter has initiated collaborations with several suppliers for the development of charging infrastructure.

Sustainable cities require sustainable buildings. In 2020 Svenska Handelsfastigheter did the first environmental certification project and by the end of 2022, 53% of the property value was certified. Environmental certification is a complement to reducing the use of energy as the certification include several factors for sustainability.

## RESPONSIBLE BUSINESS



Business shall be conducted sustainably and under no circumstance have a negative impact on people, the environment and the economy. Svenska Handelsfastigheter aim for a high level of transparency and integrity. This aim is concretised by the company's policies and guidelines. All employees are required to read and follow these and training in the code of conduct is conducted annually for all employees. Areas that are considered particularly significant for the company is anti-corruption, responsible purchases and regulatory compliance.

The construction and real estate industry is a risk industry when it comes to corruption in the form of bribery, money laundering and unauthorised restriction of competition. Sven-

ska Handelsfastigheter attaches great importance to preventive work. The company strives for a transparent business environment and a good business ethics in order to minimise the risk of corruption.

The construction and real estate industry, in addition to corruption, is also associated with risks in the environment, work environment and social conditions. The same high demands that the company places on its own operations, are placed on suppliers. The company Code of Conduct for suppliers aim, among other things, to promote good business ethics and counteract corruption. For all purchases from a supplier category with increased risks of corruption, the Code of Conduct is attached to the supplier agreement.

Svenska Handelsfastigheter has an external whistle-blowing function where employees and external persons can anonymously report corruption, irregularities and other serious risks that can harm individuals, the company, society or the environment.

## EMPLOYEES



Employees contribute continuously for the company's development and success. For a business to be sustainable over time the engagement and motivation of its employees are key. Svenska Handelsfastigheter aim to provide a workplace with a sound culture where health, equality and diversity are fundamental.

All employees are encouraged to express their needs. They can do so anonymously through the annual employee survey or the whistle blower function if the matter is vital. The company also provide formal meetings between manager and each employee on an annual basis to evaluate the employee work situation including workload, engagement and any need of further education.

The company have collective bargaining agreements, private health insurance and health care allowance. To encourage a sound work-life balance flexitime is provided and the opportunity to work partly from home. The company encourages employees to take parental leave by providing parental allowance supplement.

## 1.5 Sustainability targets

Svenska Handelsfastigheter has developed guiding sustainability targets with a focus on resource efficiency, climate and social sustainability to be achieved by 2030.

- ▶ Reduce carbon footprint by 42 % compared to starting year 2020
- ▶ Maintain an ESG Risk Rating on a negligible risk level
- ▶ At least 50% of buildings (based on value) to be environmentally certified
- ▶ 100% of employees educated in the company's Code of Conduct
- ▶ Maintain gender diversity of 40-60%
- ▶ Zero work related injuries at the work place and the company's suppliers

Svenska Handelsfastigheter is committed to the Science Based Targets initiative and its climate targets are approved in line with the 1.5°C degree target.



## 2. GREEN BOND FRAMEWORK

This Green Bond Framework ("the Framework") is aligned with the Green Bond Principles as of 2021 issued by the International Capital Market Association (ICMA) This Framework will as such contain information regarding Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting.

### 2.1 Use of proceeds

To achieve the ambitions targets among sustainability, this Green Bond Framework is focused on Svenska Handelsfas-

tigheter's commitment within resource efficiency and climate.

Proceeds will finance eligible assets and projects, in part or in full, as per this section of the Framework. Eligible assets and projects will contribute to the mitigation of climate change. Proceeds may be used to fund new assets and projects as well as for re-financing. Tangible assets (without age restriction) and operational expenses (with a look-back period of three years) are eligible for financing or refinancing.

GREEN ELIGIBLE ASSETS AND PROJECTS	SUB-CATEGORY	
<b>Green buildings</b>	<b>Financing of newly constructed buildings</b>	<b>Financing of acquired, refurbished or existing buildings</b>
	Buildings with an Energy Performance Certificate of class A or B	Buildings with an Energy Performance Certificate of class A or B
	Buildings within top 15% of the national or regional building stock expressed as Primary Energy Demand (PED) and demonstrated by adequate evidence <sup>1</sup> , or, Buildings with an energy performance that is at least 30% better than required by national regulation (Boverkets Byggregler) for the specific building evidenced by the latest available Energy Performance Certificate combined with at least one of the following certificates: <ul style="list-style-type: none"> <li>▶ Miljöbyggnad "Silver" certification (or better)</li> <li>▶ BREEAM "Very Good" certification (or better)</li> <li>▶ Nordic Swan Ecolabel</li> </ul>	Buildings within top 15% of the national or regional building stock expressed as Primary Energy Demand (PED) and demonstrated by adequate evidence <sup>1</sup> , or, Buildings with an energy performance that is at least 20% better than required by national regulation (Boverkets Byggregler) for the specific building evidenced by the latest available Energy Performance Certificate combined with at least one of the following certificates: <ul style="list-style-type: none"> <li>▶ Miljöbyggnad i-drift "Silver" Certification (or better)</li> <li>▶ Nordic Swan Ecolabel</li> <li>▶ BREEAM in-use "Very Good" (or better)</li> <li>▶ Green Building Certificate (until decommissioning of certificate in 2025)</li> </ul>
<b>Renewable Energy</b>	Investments in solar power equipment and emission-free geothermal energy solutions.	
<b>Energy Efficiency</b>	Funding for projects which aim to improve the energy efficiency by at least 30% in buildings owned by Svenska Handelsfastigheter. This includes, the re-use of energy and energy recovery	

<sup>1</sup> The following study has been used to determine the top 15% of the building stock for Svenska Handelsfastigheter's properties: "Topp 15 och 30 procent av de bästa byggnaderna"

### 2.2 Selection of eligible assets and projects

The evaluation and selection process for eligible assets and projects is a key process in ensuring that an amount equal to the net proceeds from green financing is allocated to eligible assets and expenditures that meet the criteria in this Framework. To oversee this, Svenska Handelsfastigheter has formed a Green Bond Committee (GBC).

The GBC consists of the CEO, CFO and Head of Technology and Sustainability. Each member of the committee has the right to veto against any asset or project. The group will meet no more seldom than twice yearly, and notes of which projects and assets they deem as eligible per this framework will be saved. The GBC will in conjunction with each meeting have the option to consult an environmental specialist, who may be either external or an employee of Svenska Handelsfastigheter, such as a consultant specialised in sustainability. The GBC follows the below process when selecting and evaluating potential eligible assets and projects:

1. The Head of Technology and Sustainability evaluates the building portfolio and proposes potential asset and/or project, in alignment with Svenska Handelsfastigheter's Sus-

tainability policy, to the GBC based on alignment with the eligibility criteria defined in the Green Bond Framework,

2. The GBC verifies the eligibility of the asset or project and book it into the Green Asset Register, which is further specified in 2.3,
3. Any assets or projects that do not longer meet the eligibility criteria defined in this Green Bond Framework is removed from the Green Asset Register. If there is any disagreement within the GBC the Head of Technology and Sustainability has the right to veto on assets that are to be removed from the Green Asset Register.

### 2.3 Management of proceeds

For all Green Bonds issued, Svenska Handelsfastigheter has established a Green Asset Register for the purpose of monitoring the eligible assets and projects and the allocation of an amount equal to the net proceeds from Green Bonds to eligible assets and projects. The CFO is responsible for ensuring that an amount equal to the net proceeds are financing eligible assets and projects in accordance with this Framework.

During the life of the Green Bonds, if an asset or project ceases to fulfil the eligibility criteria, Svenska Handelsfastigheter will remove the asset or project from the eligible

green portfolio and replace it when necessary for the balance as soon as reasonably possible.

Any unallocated proceeds temporary held by Svenska Handelsfastigheter will be placed in the liquidity reserve and managed accordingly by the Company. The unallocated proceeds may not be used for holdings related to fossil fuel related assets such as car/oil and gas company stocks. The Green Asset Register will contain the list of eligible assets and projects mentioned in Section 2.1. Information available in the Register will in turn serve as basis for regular reporting described in Section 2.4.

## 2.4 Reporting

To enable investors and other stakeholders to follow the development of the assets and projects funded by Green Bonds, an annual Green Bond Impact Report will be made available on the Company's website, for as long as it has Green Bonds outstanding. First such report will be made available for investors approximately 12 months after the issuance of Svenska Handelsfastigheter's inaugural Green Bond transaction under this Framework. In line with ICMA's Green Bond Principles, the report will include information on Green Bond allocation as well as on environmental impact from Green assets and projects financed (measured where possible, otherwise estimated). The allocation and impact reports will be externally verified by Svenska Handelsfastigheter's auditor.

### ALLOCATION REPORT

Svenska Handelsfastigheter will, to the extent feasible, report on following metrics amongst others:

- ▶ The sum of the aggregated Green Bonds outstanding,
- ▶ Share of proceeds used for financing/refinancing as well as share of proceeds used for categories described in 2.1,
- ▶ Share of unallocated proceeds (if any),
- ▶ Examples and case studies of the relevant eligible assets and projects

### IMPACT REPORT

The impact report includes the environmental impact of the eligible assets and project financed under this Framework. The impact report may, to some extent, be aggregated due to large number of eligible assets and projects and depending

on data availability, calculations will be made on a best effort basis. The impact report may include the below listed metrics, and the reporting will always include methodologies used.

### GREEN BUILDINGS

- ▶ Energy performance of buildings based on the latest Energy Performance Certificate,
- ▶ Annual energy avoided in MWh or GWh compared to the relevant national building regulation,
- ▶ Environmental certificate,
- ▶ Annual energy production on-site, in MWh or GWh,
- ▶ Annual GHG emissions reduced/avoided, in tonnes of CO<sub>2</sub>e, based on the energy performance eligibility criteria applied.

### RENEWABLE ENERGY

- ▶ Capacity of energy generation in MW,
- ▶ Annual renewable energy generation in MWh or GWh,
- ▶ Annual GHG emissions reduced/avoided, in tonnes of CO<sub>2</sub>e.

### ENERGY EFFICIENCY

- ▶ Annual energy reduced or avoided in MWh or GWh compared to the pre-investment situation (for refurbishments),
- ▶ Annual GHG emissions reduced/avoided, in tonnes of CO<sub>2</sub>e.

## 2.5 External review

Svenska Handelsfastigheter has engaged Sustainalytics to issue an independent Second Party Opinion (SPO) of this Green Bond Framework. Amongst other things, the SPO notes the Framework as credible and impactful and confirms the alignment of this Framework with the Green Bond Principles set out in 2021. The Green Bond Framework, the SPO issued by Sustainalytics, and the Green Bond Impact Reports will be made publicly available on Svenska Handelsfastigheter's website.

On an annual basis, Svenska Handelsfastigheter will engage an independent external auditor to provide a limited assurance on the Green Bond Impact Report. The assurance from the auditor will be included in Green Bond Impact Report.