

Second-Party Opinion

Svenska Handelsfastigheter

Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Svenska Handelsfastigheter Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy and Energy Efficiency – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories may contribute to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



PROJECT EVALUATION AND SELECTION Svenska Handelsfastigheter's Green Bond Committee will be responsible for overseeing the project evaluation and selection process and ensuring that the projects selected are in line with the Framework's eligibility criteria. The committee includes the Company's CEO, CFO and Head of Technology and Sustainability. Svenska Handelsfastigheter has a process in place to identify and manage environmental and social risks associated with the eligible projects, including climate risk assessments. Sustainalytics considers the risk management processes to be in line with market best practice.



MANAGEMENT OF PROCEEDS Svenska Handelsfastigheter's CFO will be responsible for the overall management of proceeds. Svenska Handelsfastigheter will use a green asset register to track the allocation of proceeds and intends to allocate net proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily invested in the liquidity reserve of the Company and managed as per the Company's liquidity policies. Sustainalytics considers this process to be in line with market practice.



REPORTING Svenska Handelsfastigheter commits to report on the allocation of proceeds and corresponding impact on its website on an annual basis as long as Svenska Handelsfastigheter has green bonds outstanding. Svenska Handelsfastigheter intends to have its allocation and impact reports externally verified. Allocation reporting will include information related to the sum of the aggregated green bonds outstanding, the share of financing versus refinancing, the share of proceeds allocated per category, the share of unallocated proceeds, and examples and case studies of the relevant eligible assets and projects. In addition, Svenska Handelsfastigheter intends to report on relevant impact metrics. Sustainalytics views Svenska Handelsfastigheter's allocation and impact reporting as aligned with market practice.

Evaluation Date August 9, 2023

Issuer Location Stockholm, Sweden

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For inquiries, contact the Sustainable Finance Solutions project team:

Pauline Horng (Amsterdam)
Project Manager
pauline.horng@morningstar.com
(+49) 69 50607894

Manali Vaidya (Mumbai)
Project Support

Jade Sun (Shanghai)
Project Support

Ayaka Okumura (Amsterdam)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

LSTH Svenska Handelsfastigheter AB (“Svenska Handelsfastigheter” or the “Company”) is a real estate development and management company focusing on grocery retail properties in Sweden.¹ The Company managed 278 properties across 141 municipalities in Sweden as of 2022.² Founded in 2015, the Company is headquartered in Stockholm, with 34 employees as of the end of 2022.³

Svenska Handelsfastigheter has developed the Svenska Handelsfastigheter Green Bond Framework (the “Framework”), under which it intends to issue multiple green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that aim to improve energy efficiency and reduce carbon emissions in the buildings sector. The Framework defines eligibility criteria in three areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency

Svenska Handelsfastigheter engaged Sustainalytics to review the Svenska Handelsfastigheter Green Bond Framework, dated July 2023, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).⁴ The Framework will be published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 14.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Svenska Handelsfastigheter’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Svenska Handelsfastigheter representatives have confirmed (1) they understand it is the sole responsibility of Svenska Handelsfastigheter to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Svenska Handelsfastigheter.

¹ Svenska Handelsfastigheter, “Om Oss”, at: <https://handelsfastigheter.se/om-oss/>

² Svenska Handelsfastigheter, “Bokslutskommuniké januari – december 2022”, at: <https://handelsfastigheter.com/wp-content/uploads/2023/02/LSTH-Bokslutskommuniké-Q4-2022.pdf>

³ Svenska Handelsfastigheter, “Års- och hållbarhetsredovisning”, (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

⁴ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁵ The Svenska Handelsfastigheter Green Bond Framework is available on Svenska Handelsfastigheter’s website at: <https://handelsfastigheter.se/nyheter/>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, Svenska Handelsfastigheter is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Svenska Handelsfastigheter has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Svenska Handelsfastigheter Green Bond Framework

Sustainalytics is of the opinion that the Svenska Handelsfastigheter Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy and Energy Efficiency – are aligned with those recognized by the GBP.
 - The Framework has defined a look-back period of three years for refinancing of operating expenditures related to projects, which Sustainalytics considers to be aligned with market practice.
 - Under the Green Buildings category, Svenska Handelsfastigheter may finance or refinance new buildings that have achieved one of the following:
 - An energy performance certificate (EPC) of class A or B;
 - Belong to the top 15% of the national or regional building stock based on primary energy demand (PED);⁷
 - Energy performance that is at least 30% better than the national regulation requirement (Boverkets Byggregler)⁸ with at least one of the following certificates: i) Miljöbyggnad Silver or above;⁹ ii) BREEAM Very Good or above;¹⁰ and iii) Nordic Swan Ecolabel.¹¹
 In this category, the Company may also finance or refinance acquired, refurbished or existing buildings that have achieved one of the following:
 - An energy performance certificate (EPC) of class A or B;
 - In the top 15% of the national or regional building stock in primary energy demand (PED);¹²
 - An energy performance that is at least 20% better than the national regulation requirement (Boverkets Byggregler)¹³ with at least one of the following certificates: i)

⁷ Svenska Handelsfastigheter has used the following report to determine the top 15% of the building stock for Svenska Handelsfastigheter's properties: "Topp 15 och 30 procent av de bästa byggnaderna"

⁸ Boverket, "Boverkets byggregler", (2023), at: <https://www.boverket.se/sv/PBL-kunskapsbanken/regler-om-byggande/boverkets-byggregler/>

⁹ Miljöbyggnad: <https://www.sgbc.se/certifiering/miljobyggnad/>

¹⁰ BREEAM: <https://bregroup.com/products/breem/>

¹¹ Nordic Swan Ecolabel: <https://www.nordic-swan-ecolabel.org/>

¹² Svenska Handelsfastigheter has used the following report to determine the top 15% of the building stock for Svenska Handelsfastigheter's properties: "Topp 15 och 30 procent av de bästa byggnaderna"

¹³ Boverket, "Boverkets byggregler", (2023), at: <https://www.boverket.se/sv/PBL-kunskapsbanken/regler-om-byggande/boverkets-byggregler/>

Miljöbyggnad iDrift Silver or above;¹⁴ ii) Nordic Swan Ecolabel;¹⁵ iii) BREEAM In-Use Very Good or above;¹⁶ or iv) Green Buildings Certificate administered by Sweden Green Building Council (until decommissioning of certificate in 2025).¹⁷

Sustainalytics views the certification schemes to be credible and the selected levels to be impactful for Miljöbyggnad and Miljöbyggnad iDrift. Sustainalytics notes that the Company will be using the BREEAM certifications together with the energy requirements and encourages Svenska Handelsfastigheter to finance or refinance buildings that meet the requirements for BREEAM or BREEAM In-use Excellent in the energy category, which Sustainalytics regards as the most important category.

- Under the Renewable Energy category, Svenska Handelsfastigheter may finance or refinance the acquisition or installation of solar photovoltaic power equipment and ground-source heat pumps. Svenska Handelsfastigheter communicated to Sustainalytics that the Company intends to set an upper threshold for the level of GWP refrigerants and takes into account the EU Taxonomy suggested threshold of GWP <10. Sustainalytics recommends the Company to exclude financing of heat pumps with high GWP refrigerants and promote robust refrigerant leak control, detection and monitoring, while ensuring the recovery, reclamation, recycling or destruction of refrigerants at end of life. Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Energy Efficiency category, Svenska Handelsfastigheter intends to finance or refinance projects for the renovation of buildings that aim to improve by at least 30% the energy efficiency of buildings owned by the Company. Sustainalytics views the expenditures under this category to be aligned with market practice.
- Project Evaluation and Selection:
 - Svenska Handelsfastigheter's Green Bond Committee (GBC) will be responsible for overseeing the project evaluation and selection process, ensuring that the projects selected are in line with the Framework's eligibility criteria. The GBC includes the Company's CEO, CFO and Head of Technology and Sustainability.
 - Svenska Handelsfastigheter has a process in place to identify and manage environmental and social risks associated with the eligible projects. The Company selects projects that are in line with its Sustainability Policy. Svenska Handelsfastigheter also conducts a climate risk assessment on all its properties. The Company conducts regular monitoring for projects with higher environmental risks, such as flooding, and reports the risks identified in its annual sustainability report, which is made available to its investors. Sustainalytics considers these environmental and social risk identification and management processes to be aligned with market practice.
 - Based on the responsibilities and assessment mechanism mentioned above, Sustainalytics considers the overall process of project evaluation and selection to be in line with market practice.
- Management of Proceeds:
 - Svenska Handelsfastigheter's CFO will be responsible for the overall management of proceeds. The Company will track the proceeds using a green asset register.
 - Svenska Handelsfastigheter intends to allocate net proceeds to eligible assets within 24 months of the date of issuance. Pending allocation, unallocated proceeds will be temporarily invested in the liquidity reserve of the Company and managed as per the Company's liquidity policies. Svenska Handelsfastigheter has confirmed that the unallocated proceeds will not be allocated towards fossil fuel-intensive activities.
 - Based on the presence of an internal tracking system and the disclosure of the temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Svenska Handelsfastigheter commits to report on the allocation and impact of proceeds in a green bond impact report, which will be published on its website on an annual basis until full

¹⁴ Miljöbyggnad iDrift: <https://www.sgbc.se/certifiering/miljobyggnad-idrift/>

¹⁵ Nordic Swan Ecolabel: <https://www.nordic-swan-ecolabel.org/>

¹⁶ BREEAM In-use: <https://bregroup.com/products/breem/breem-technical-standards/breem-in-use/>

¹⁷ Green Building Certificate, administered by Sweden Green Building Council, at: <https://www.sgbc.se/certifiering/greenbuilding/>

- allocation. Moreover, Svenska Handelsfastigheter intends to have its allocation and impact reports externally verified.
- Allocation reporting will include information related to the sum of the aggregated green bonds outstanding, the share of financing versus refinancing, the share of proceeds allocated per category, the share of unallocated proceeds and examples and case studies of the relevant eligible assets and projects.
 - Subject to the availability of data, impact reporting may include relevant impact indicators per eligible category, such as annual energy avoided (measured in MWh or GWh) compared to the relevant national building regulation, annual energy production on site (measured in MWh or GWh), annual GHG emissions reduced or avoided (measured in tCO₂e), annual renewable energy generation (measured in MWh or GWh). For a full list of impact indicators, please refer to Appendix 1.
 - Based on commitments to allocation and reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Svenska Handelsfastigheter Green Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Svenska Handelsfastigheter

Contribution to Svenska Handelsfastigheter's sustainability strategy

Sustainalytics is of the opinion that Svenska Handelsfastigheter demonstrates a commitment to sustainability by integrating sustainability aspects into its business strategy. In 2022, the Company conducted a materiality analysis and identified the following four key priority areas to the Company and its stakeholders: i) resource efficiency (including energy efficiency) and climate change mitigation, ii) sustainable urban development, iii) employees and iv) responsible business.^{18,19,20}

Svenska Handelsfastigheter has incorporated the UN Global Compact Principles into its sustainable business practices.²¹ In addition, the Company set an SBTi-verified target to reduce its emissions by 42% by 2030 compared to 2020 levels.²² In this context, the Company implements initiatives to: i) use climate-friendly materials during construction to ensure energy efficiency; ii) improve the operational energy efficiency of buildings; iii) exclusively buy renewable electricity labelled with Good Environmental Choice;²³ iv) provide sustainable and resource-efficient solutions to the business and customers; and v) promote the Company's properties climate adaptation.²⁴

By the end of 2022, 53% of Svenska Handelsfastigheter's properties achieved a green building certification.²⁵ Renewables power 97% of the electricity that the Company uses for district heating. Svenska Handelsfastigheter also produces electricity for its own use through rooftop solar panels, which produced 859 MWh of electricity and saved 215 tCO₂e in 2022.²⁶ The Company has also signed green leases with a view to work together with the tenants to reduce energy use through initiatives such as switching to energy efficient products.²⁷ Additionally, the Company intends to decrease energy consumption by 5% by 2023 compared to 2021, as well as complete a climate risk analysis of its properties.²⁸

¹⁸ Svenska Handelsfastigheter, "Om Oss", at: <https://handelsfastigheter.se/om-oss/>

¹⁹ Svenska Handelsfastigheter, "Hållbarhetspolicy", at: <https://media.handelsfastigheter.se/2023/04/Hallbarhetspolicy-2022-04-28.pdf>

²⁰ Svenska Handelsfastigheter, "Års- och hållbarhetsredovisning", (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

²¹ Svenska Handelsfastigheter, "Letter to UN regarding the global goals LSTH", (2020), at: https://ungc-production.s3.us-west-2.amazonaws.com/commitment_letters/141532/original/Letter_to_UN_regarding_the_global_goals_LSTH_-_signed.pdf?1601632973

²² Svenska Handelsfastigheter, "Års- och hållbarhetsredovisning", (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

²³ Swedish Society for Nature Conservation, "Electricity 2021:1 – Criteria Good Environmental Choice", at: <https://cdn.naturskyddsforeningen.se/uploads/2021/10/14100054/bmv-electricity-criteria-2021-1.pdf>

²⁴ Svenska Handelsfastigheter, "Års- och hållbarhetsredovisning", (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

²⁵ Svenska Handelsfastigheter, "Hållbarhetsarbete", at: <https://handelsfastigheter.se/hallbarhetsarbete/>

²⁶ Svenska Handelsfastigheter, "Års- och hållbarhetsredovisning", (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

²⁷ Ibid.

²⁸ Ibid.

Sustainalytics is of the opinion that the Svenska Handelsfastigheter Green Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include issues related to emissions, effluents and waste generated in construction; occupational health and safety; and community relations and stakeholder participation.

Sustainalytics is of the opinion that Svenska Handelsfastigheter is able to manage or mitigate potential risks through implementation of the following:

- To mitigate risks related to emissions, effluents and waste, the Company has established a Sustainability Policy, which defines the reduction of GHG emissions and resource efficiency as the focus areas for mitigating climate change. Svenska Handelsfastigheter has also established processes to collaborate with tenants, the community, suppliers and other stakeholders to reduce CO₂ emissions and achieve resource efficiency. Svenska Handelsfastigheter also follows the Swedish Environmental Code, which focuses on protecting the environment, including natural and cultural environments; protection of biological diversity; efficient use of land, water and other resources; and reuse and recycling of raw materials.^{29,30}
- The Company's Employee Code of Conduct³¹ and Staff Policy³² require the Company to comply with applicable laws, agreements and regulations regarding working hours, and all employees take appropriate measures to prevent incidents and accidents at the workplaces. Moreover, Svenska Handelsfastigheter has designated in-house personnel responsible for overseeing the safety aspects at its project sites.³³ As part of the Company's responsible purchasing process, Svenska Handelsfastigheter conducts an annual exercise to identify risks related to occupational health and safety across its supply chain. Furthermore, as part of its business agreements, the Company's Suppliers Code of Conduct requires its suppliers to comply with provisions on workplace safety, working conditions, child labour and applicable labour laws.³⁴
- To address risk related to community relations and stakeholder participation, the Company offers channels for whistleblowing to all stakeholders.³⁵ Moreover, Svenska Handelsfastigheter engages in regular dialogue with municipalities to understand their needs and plans for the communities in which the Company operates, including through meetings, using an open planning process, in addition to seminars and other initiatives.³⁶
- Sustainalytics notes that financing under the Framework will take place primarily in Sweden, which is listed as a Designated Country under the Equator Principles,³⁷ indicating that environmental and social governance legislation systems and institutional capacity are sufficient to ensure mitigation of common environmental and social risks.

Based on the above, Sustainalytics is of the opinion that Svenska Handelsfastigheter has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on Green Buildings below where the impact is specifically relevant in the local context.

²⁹ Ibid.

³⁰ Government of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

³¹ Svenska Handelsfastigheter, "Uppförandekod för medarbetare", at: <https://media.handelsfastigheter.se/2023/04/Uppforandekod-medarbetare-2022-04-28.pdf>

³² Svenska Handelsfastigheter, "Staff Policy", shared with Sustainalytics confidentially.

³³ Shared with Sustainalytics confidentially.

³⁴ Svenska Handelsfastigheter, "Uppförandekod för leverantörer", at: <https://media.handelsfastigheter.se/2023/04/Uppforandekod-leverantorer-2022-08-24.pdf>

³⁵ Svenska Handelsfastigheter, "Hållbarhetsarbete", at: <https://handelsfastigheter.se/hallbarhetsarbete/>

³⁶ Svenska Handelsfastigheter, "Års- och hållbarhetsredovisning", (2022), at: <https://media.handelsfastigheter.se/2023/04/LSTH-Ars-och-hallbarhetsredovisning-2022.pdf>

³⁷ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

Impact of green buildings in Sweden

The buildings and construction sector accounted for 37% of global anthropogenic CO₂ emissions in 2021, thereby making it a key sector for initiating action to combat climate change.³⁸ To align with the Paris Agreement, all new buildings would need to achieve net zero emissions from 2030, and emissions from buildings would have to reduce by more than 98% from 2020 levels by 2050.³⁹

In Sweden, the buildings and construction sector is responsible for 20% of total GHG emissions.⁴⁰ Sweden has committed to a net zero GHG emissions target by 2045 as part of its Nationally Determined Contribution.⁴¹ The government has implemented the following policies and measures to further decarbonize the building sector: i) improving the energy efficiency of buildings and product supply following the European rules and requirements for energy labelling and ecodesign;^{42,43} ii) setting rules and requirements for sustainable buildings in the Boverket's Building Regulations;⁴⁴ iii) supporting energy renovation of buildings financially and technically; and iv) mandating the energy declaration of buildings to address embodied energy and life cycle GHG emissions from buildings.⁴⁵ Sweden has achieved a 68% reduction in GHG emissions from the building sector between 2005 and 2020.⁴⁶ In the course of achieving this, capital market funds, including green bonds with relatively low financing costs, have been widely used to develop green building and energy efficiency projects, making access to financing in these green projects easier for many companies in the country.⁴⁷ As such, it is predicted that capital market funding will continue to assist in the decarbonization of the sector in the coming years.⁴⁸

Based on the above, Sustainalytics believes that Svenska Handelsfastigheter's investment in green buildings is expected to contribute to the decarbonization of the buildings and construction sector of Sweden and, more broadly, to the country's climate goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The bonds issued under the Svenska Handelsfastigheter Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

³⁸ United Nations Environment Programme, "2022 Global Status Report for Buildings and Construction", at: <https://www.unep.org/resources/publication/2022-global-status-report-buildings-and-construction>

³⁹ Ibid.

⁴⁰ Von Malmborg, F. et al. (2023), "Climate declarations for buildings as a new policy instrument in Sweden: a multiple streams perspective", Building Research & Information, at: <https://www.tandfonline.com/doi/full/10.1080/09613218.2023.2222320>

⁴¹ UNFCCC, "Sweden. 2022 National Inventory Report (NIR)", at: <https://unfccc.int/documents/461776>.

⁴² European Commission, "About the energy label and ecodesign", at: https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/about_en#Energylabels

⁴³ European Commission, "Ecodesign for sustainable products", at: https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/sustainable-products/ecodesign-sustainable-products_en.

⁴⁴ Buildings Sweden, "Law of the Land", at: <https://buildingsweden.com/law-of-the-land>

⁴⁵ Ministry of the Environment, "Sweden's long-term strategy for reducing greenhouse gas emissions", (2020), at: https://unfccc.int/sites/default/files/resource/LTS1_Sweden.pdf

⁴⁶ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2022), at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-energy>

⁴⁷ Mangold, M. et al. (2023), "Swedish public and private housing companies' access to the capital market for financing energy renovation." Journal of Housing and the Built Environment, at: <https://link.springer.com/article/10.1007/s10901-022-09996-4#citeas>

⁴⁸ Ibid.

Conclusion

Svenska Handelsfastigheter has developed the Svenska Handelsfastigheter Green Bond Framework, under which it may issue green bonds and use the proceeds to finance or refinance projects in the following categories: Green Buildings, Renewable Energy and Energy Efficiency. Sustainalytics considers that the projects funded by the proceeds are expected to provide positive environmental impacts.

The Svenska Handelsfastigheter Green Bond Framework outlines a process by which proceeds will be tracked, allocated and managed. The Company makes commitments for reporting on the allocation and impact of the use of proceeds and intends to have its allocation and impact reports externally verified. Furthermore, Sustainalytics believes that the Svenska Handelsfastigheter Green Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics is of the opinion that Svenska Handelsfastigheter has measures in place to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Svenska Handelsfastigheter is well positioned to issue green bonds and that the Svenska Handelsfastigheter Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021).

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	LSTH Svenska Handelsfastigheter AB
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Svenska Handelsfastigheter Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 14, 2023
Publication date of review publication:	
Original publication date [please fill this out for updates]:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds -- Green Buildings, Renewable Energy and Energy Efficiency -- are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories may contribute to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Svenska Handelsfastigheter's Green Bond Committee will be responsible for overseeing the project evaluation and selection process and ensuring that the projects selected are in line with the Framework's eligibility criteria. The committee includes the Company's CEO, CFO and Head of Technology and Sustainability. Svenska Handelsfastigheter has a process in place to identify and manage environmental and social risks associated with the eligible projects, including climate risk assessments. Sustainalytics considers the risk management processes to be in line with market best practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Svenska Handelsfastigheter's CFO will be responsible for the overall management of proceeds. Svenska Handelsfastigheter will use a green asset register to track the allocation of proceeds and intends to allocate net proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily invested in the liquidity reserve of the Company and managed as per the Company's liquidity policies. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Svenska Handelsfastigheter commits to report on the allocation of proceeds and corresponding impact on its website on an annual basis until full allocation. Svenska Handelsfastigheter intends to have its allocation and impact reports externally verified. Allocation reporting will include information related to the sum of the

aggregated green bonds outstanding, the share of financing versus refinancing, the share of proceeds allocated per category, the share of unallocated proceeds, and examples and case studies of the relevant eligible assets and projects. In addition, Svenska Handelsfastigheter intends to report on relevant impact metrics. Sustainalytics views Svenska Handelsfastigheter’s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

Green buildings	<ul style="list-style-type: none"> • 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 CO₂e, based on the energy performance eligibility criteria applied
Renewable energy	<ul style="list-style-type: none"> • Capacity of energy generation in MW • Annual renewable energy generation in MWh or GWh • Annual GHG emissions reduced/avoided, in tonnes of CO₂e
Energy Efficiency	<ul style="list-style-type: none"> • 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 CO₂e

Frequency

- Annual Semi-annual

Other (please specify):

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Information published on its website: https://handelsfastigheter.se |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|---|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input checked="" type="checkbox"/> Certification |
| <input checked="" type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as

a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

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