

GREEN FINANCE FRAMEWORK

WÄSTBYGG GROUP
AUGUST 2024

Sörsjön i Jönköping

WÄSTBYGG
GROUP

INTRODUCTION

Wästbygg Gruppen AB (publ) (“Wästbygg Group”), is a listed construction and project development company that builds and develops residential and commercial buildings, community service properties and logistics and industrial facilities, always with a strong focus on sustainability. The Group comprises Wästbygg AB, Rekab Entreprenad AB and Logistic Contractor AB.

The company was founded in Borås, Sweden, in 1981 and today operates in the most expanding markets in Sweden and within Logistic Contractor also in the neighboring Nordic countries. Wästbygg Group is listed on Nasdaq Stockholm since 2020.



Wästbygg Group’s construction of residential and commercial buildings are concentrated in and around the metropolitan areas of Sweden, from Luleå in the north to Malmö in the south. The group company Wästbygg AB, covers the central and southern parts of Sweden, with Rekab Entreprenad active along the entire northern coastline. Logistic Contractor, which develops logistics and industrial properties, operates both in the Swedish market and in the neighboring Nordic countries.

BUSINESS AREAS

RESIDENTIAL: Wästbygg Group aims to create living environments for the future and is always focused on developing safe and comfortable homes. The company has constructed residential buildings for municipal and private clients since 1981, and since 2006 also develops residential projects under its own development company. Completed projects include a wide range of buildings, from smaller town houses to larger blocks with hundreds of apartments.

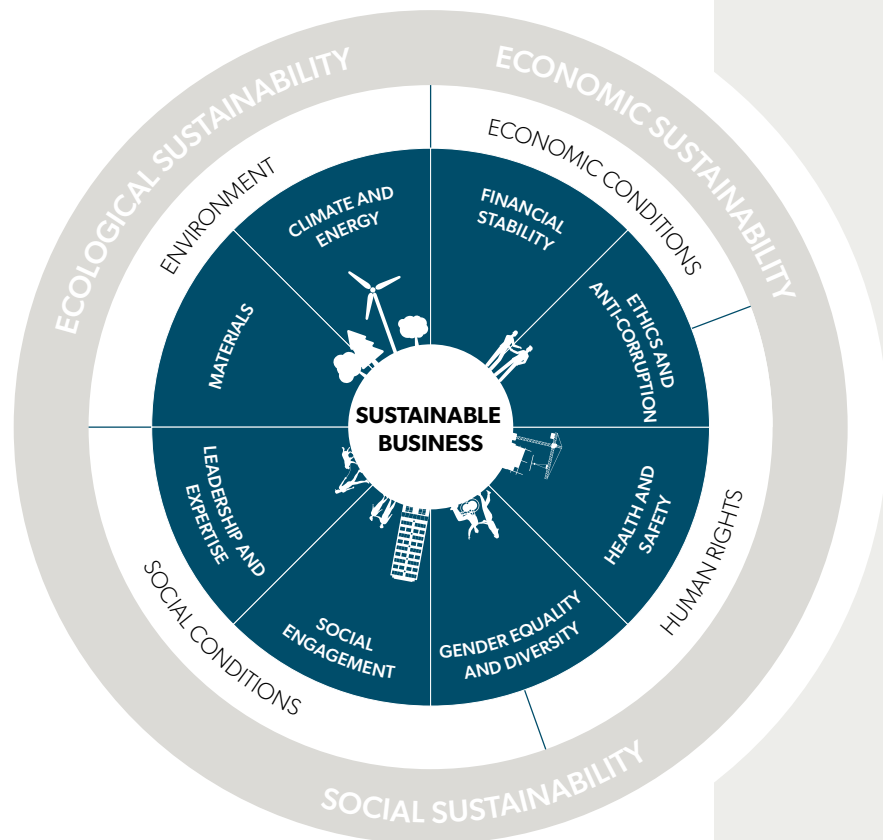
COMMERCIAL: The commercial segment covers a broad spectrum of projects, ranging from retail properties and offices, to sports facilities, smaller warehouse- and industrial buildings as well as hotels and community properties. Wästbygg Group also has extensive experience in constructing buildings containing dense installation setups for the automotive industry, such as inspection and service facilities. Clients include both public entities and private actors, and the company has long-standing collaborations with large nationwide retailers as well as larger property owners and developers. In commercial projects, Wästbygg Group works closely with both the client and future tenants to ensure buildings are optimised to meet expectations of all stakeholders.

With a growing, as well as aging, population in Sweden, there is a continuous need for new preschools, schools, and healthcare facilities for both young and old. Wästbygg Group has extensive experience in both constructing and developing community properties, working with both public and private entities. For Rekab Entreprenad, community properties are a particular field of expertise, with projects including preschools, elderly care facilities, and renovations as well as expansions of hospitals and other healthcare facilities.

LOGISTICS AND INDUSTRY: With many years in the industry, Wästbygg Group is today a leading specialist and reliable partner in construction and development of logistics and industrial facilities across the Nordics. Logistic Contractor specialises in developing and building large facilities designed for rational handling and large-scale operations in logistics and light manufacturing. With a strong network with public and private landowners across key Nordic logistics hubs, Wästbygg Group is able to offer both land and construction at strategic locations.

A SUSTAINABLE BUSINESS

Wästbygg Group's aims to create A Sustainable Business by developing sustainable, modern and efficient homes, commercial properties and logistics and industry facilities in mutual trust with clients. Economic, ecological and social sustainability aspects are integrated into the company's overarching sustainability agenda.



SOCIAL SUSTAINABILITY

Wästbygg Group is committed to building an inclusive and equitable work environment and society, where diversity is valued. The company wishes to create living environments that allow for diversity and participation, providing strong life- and growth conditions.

Recognising its responsibilities and opportunities as a company, employer and contributor to societal development, Wästbygg Group not only focuses on ensuring an internal socially sustainable workplace, but also engages with partners and stakeholders to drive innovation that can be applied in practice in its residential areas.

Building on the company's core values, Wise, Creative and Heart, the ambition is to always find bold and forward-leaning solutions.



ECONOMIC SUSTAINABILITY

Wästbygg Group aims to deliver healthy economic growth, while safeguarding environmental and social considerations. Profitability is a necessary foundation for driving and investing in integrating sustainability into every aspect of the business.



ECOLOGICAL SUSTAINABILITY

In 2023, Wästbygg Group set a target to reach net-zero emissions across its value chain by 2045. This means a clearer and more coordinated responsibility for the carbon emissions associated with its construction sites, but also for the indirect emissions generated in the value chain. By performing life-cycle assessments on projects, the company is able to identify and assess its sources of emissions, from construction to use-phase to end-of-life. The choice of construction materials and the energy consumed during construction as well as in transporting materials constitute key drivers. In addition, the design of the building will impact energy consumption when in use, and the choice of materials will have an impact on the ability to be reused or recycled once the building has reached end of life. Wästbygg Group is continuously working to improve data collection for life-cycle assessments and reporting on carbon emissions across the company's value chain.

For many years, Wästbygg Group has built environmentally certified buildings and has worked with most of the certification systems available on the Swedish market such as Miljöbyggnad, BREEAM, Svanen and Green Building. All self-developed projects are certified. In addition, in 2020, Wästbygg Group implemented an internal scheme for Climate-Smart Construction Sites. As of 2024, all new self-developed projects undergo screening for climate-related risks.

CLIMATE-SMART CONSTRUCTION SITES

“Climate-Smart Construction Sites” (Sw. “Klimatsmart byggarbetsplats”) is a tool developed by Wästbygg Group to reduce the company’s climate footprint. Through Climate-Smart Construction Sites, Wästbygg Group has established a minimum level that all projects shall comply with (“bronze”) and two additional levels (“silver” and “gold”) with higher environmental requirements.



WÄSTBYGG GROUP AND GREEN FINANCE

By focusing on construction and development of energy-efficient and sustainable properties with efforts to minimise lifetime environmental impact, Wästbygg Group aims to reach net-zero emissions across its value chain by 2045. To support and finance this ambition, Wästbygg Group has chosen to update its inaugural Green Finance Framework from 2021.

This Green Finance Framework (the “Framework”) is aligned with the 2021 ICMA Green Bond Principles and the 2023 LMA Green Loan Principles (hereafter referred to as the “ICMA/LMA Principles”), and enables the issuance of Green Bonds and Green Loans, (collectively referred to as “Green Finance Instruments”). The Framework defines the assets and projects that can be financed by Green Finance Instruments (“Green Projects”), and it also outlines the process for evaluating, selecting, tracking and reporting on such investments.

In line with the ICMA/LMA Principles and best market practice, this Framework includes the following segments:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External review



ALIGNMENT WITH OTHER RELEVANT STANDARDS AND GUIDELINES

The ambition of this Framework is to meet best market practice by adhering to relevant standards and guidelines in the green finance market. Each Green Project category has therefore been mapped against the UN Sustainable Development Goals (“UN SDGs”) as well as the relevant economic activities in the EU Taxonomy.

The EU Taxonomy provides a classification system for identifying environmentally sustainable economic activities. The Taxonomy Regulation, which entered into force in July 2020, states that to qualify as environmentally sustainable, an activity should 1) make a Substantial Contribution to the achievement of one or several of EU’s six overarching

environmental objectives, 2) Do No Significant Harm (“DNSH”) to the achievement of any of the other environmental objectives, and 3) meet minimum social safeguards.

The Green Projects categories identified in this Framework represent activities that are included in the EU Taxonomy delegated acts. Wästbygg Group’s Green Project criteria have, to the extent possible, been aligned with the EU Taxonomy technical screening criteria for Substantial Contribution to Climate Change Mitigation. For a full overview of the company’s most updated Taxonomy alignment assessment, please see its latest annual report.

USE OF PROCEEDS

An amount equal to the net proceeds from Green Finance Instruments issued under this Green Finance Framework will be used to finance a portfolio of assets and projects, in whole or in part, that meet the below listed Green Project criteria.

Only such assets and projects that comply with the list of Green Projects below are deemed eligible to be financed by Green Finance Instruments. Net proceeds from Green Finance Instruments can be used for the financing of new assets and projects, as well as for refinancing purposes. New financing is defined as ongoing projects and investments made within the reporting year, while refinancing represent earlier investments. Refinancing of capital expenditures are applicable without lookback period. For operational expenditures, a lookback period of 24 months applies.

The value of Green Projects consists of i) the estimated value of properties under development, subject to completion within 24 months, and ii) the market value of properties for own management, as reported in the company's balance sheet.

GREEN PROJECT CRITERIA

GREEN BUILDINGS

Capital and operational expenditures related to the construction, development, renovation, acquisition and maintenance of buildings meeting, or expected to meet upon completion, the following criteria, including condominiums located in such buildings.

Buildings built after 31 December 2020

- Primary Energy Demand (PED) at least 20% lower than the nearly zero-energy building (NZEB) threshold, as defined by local standards, or
- At least one of the following certifications (design-stage or post-construction): Miljöbyggnad Silver or Gold, Nordic Swan Ecolabel, BREEAM Excellent, LEED Gold, or meeting equal or higher requirements via other certification schemes or contractual agreements.
- For buildings larger than 5,000 square meters, upon completion, the building is expected to undergo testing for air-tightness and thermal integrity, and calculation of its the life-cycle Global Warming Potential (GWP). As an alternative, where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.
- For ongoing projects or new construction as of 2024, an analysis of material climate-related risks will be performed by project completion.
- As of 2024, measures are implemented in new construction projects to reduce embodied emissions related to materials and construction, based on project life-cycle assessments.

Buildings built before 31 December 2020

- Energy Performance Certificate (EPC) of A or within the top 15% of the national building stock in terms of Primary Energy Demand (PED), as defined by local standards, or
- At least one of the following certifications (design-stage or post-construction): Miljöbyggnad Silver or Gold, Nordic Swan Ecolabel, BREEAM Very Good, LEED Gold, or meeting equal or higher requirements via other certification schemes or contractual agreements.

Renovation of buildings

- Major renovations resulting in, or upon completion expected to result in, a reduction of Primary Energy Demand of at least 30%.

Land acquisitions

- Acquisition of land for future construction of buildings expected to meet, upon completion, the above criteria for buildings built after 31 December 2020. Construction must commence within three years of acquisition.

ICMA GBP Category: Green buildings

UN SDG: 


EU Environmental Objective: Climate Change Mitigation

- EU Taxonomy Economic Activity:**
- Construction of new buildings
 - Acquisition and ownership of buildings
 - Renovation of existing buildings

RENEWABLE ENERGY

Capital and operational expenditures related to the construction, development, acquisition and maintenance of onshore wind and solar power.

ICMA GBP Category: Renewable energy

UN SDG: 

EU Environmental Objective: Climate Change Mitigation

- EU Taxonomy Economic Activity:**
- Electricity generation from wind power
 - Electricity generation using solar photovoltaic technology

EXCLUSIONS

For the avoidance of doubt, Green Finance Instruments will not be used to finance investments related to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling, or tobacco.

PROCESS FOR PROJECT EVALUATION AND SELECTION

To ensure the transparency and accountability around the definition and selection of Green Projects, Wästbygg Group has established a Green Finance Committee, being responsible for the evaluation and selection process.



The Green Finance Committee consists of the CEO, CFO, and Head of Sustainability. Other members with relevant expertise within the company may from time to time be invited when deemed relevant. All decisions will be made in consensus, and to ensure traceability, all decisions made by the committee will be documented and filed.

Only assets and projects that meet the Green Project criteria of this Framework are eligible to be financed with Green Finance Instruments. A register of all identified Green Projects will be kept by the Finance Department, and the Head of Finance is responsible for keeping the register up to date on a quarterly basis.

Wästbygg Group integrates environmental and social risks as part of its overall risk management work. For all new projects, climate risk assessments are part of the investment decision process. Smart choices for materials, energy use, transportation and site selection reduce exposure to risks. Internal policies, measures and follow-up procedures are designed to mitigate health and safety related risks, where active industry collaboration is also crucial. Site visits are performed at all building sites to ensure work environment and safety.

The Green Finance Committee holds the right to exclude any Green Project already funded by Green Finance Instruments and is also in charge of potential future oversight and updates of this Framework.

MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds from issued Green Finance Instruments will be earmarked for financing and refinancing of Green Projects as defined in this Framework. Wästbygg Group's aim is to fully allocate an amount equal to the net proceeds from a Green Finance Instrument towards Green Projects within two years from its issue date.



Wästbygg Group will follow a portfolio approach, where an amount equal to net proceeds from Green Finance Instruments will be allocated towards a portfolio of Green Projects. As new projects are initiated, and existing projects may be sold, the portfolio of Green Projects will by nature be dynamic over time. Wästbygg Group aims to ensure that the value of Green Projects at all times exceed the value of outstanding Green Finance Instruments.

If a Green Project already funded by Green Finance Instruments is sold, or for other reasons loses its eligibility in line with the criteria in this Framework, Wästbygg Group will strive to replace such project by another qualifying Green Project as soon as practically possible.

Any unallocated proceeds from Green Finance Instruments may be held in Wästbygg Group's ordinary bank account or invested in the short-term money market, where the exclusions defined under "Use of proceeds" apply.

REPORTING

Transparency is a key element of green finance. For as long as there are Green Finance Instruments outstanding, Wästbygg Group will report to investors and other stakeholders on an annual basis to provide relevant information on the developments of the company's Green Projects. The information and metrics detailed below will be included in an annual Green Finance Report, published on Wästbygg Group's website.

ALLOCATION METRICS

- The nominal amount of Green Finance Instruments outstanding, divided into Green Bonds and Green Loans
- The amount of net proceeds awaiting allocation (if any)
- Amounts allocated to each of the Green Project categories
- The share of new financing versus refinancing
- Examples of Green Projects funded by Green Finance Instruments

ENVIRONMENTAL IMPACT METRICS

Wästbygg Group aims to disclose the environmental impact of the Green Projects financed under this Framework. Impact will where possible be measured, otherwise estimated. Reporting will, to some extent, be aggregated and depending on data availability, calculations will be made on a best intention basis. Methods and assumptions used in calculations will be disclosed. Metrics may, where applicable, include the following:

GREEN BUILDINGS

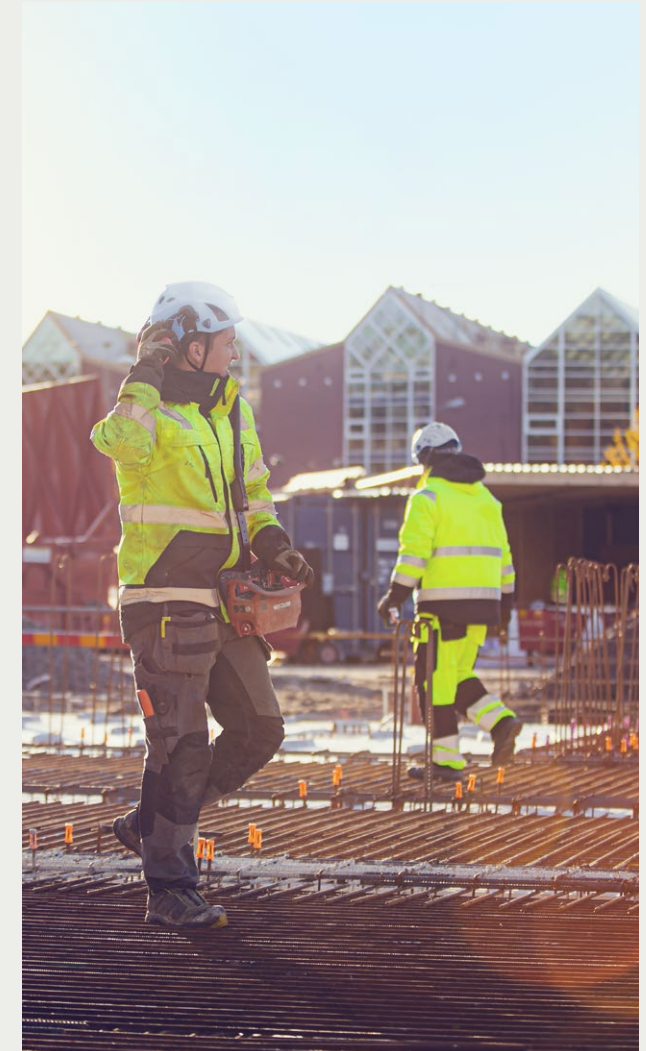
- Annual energy usage in kWh/sqm/year for own properties
- Estimated annual greenhouse gas emissions in the construction phase and/or for own management of properties (tCO₂e)
- Energy performance certificate class, if any
- Type of certification including level, if any (e.g. Miljöbyggnad Silver, Nordic Swan Ecolabel, etc.)

RENOVATION OF BUILDINGS

- Estimated, or confirmed, reduction in Primary Energy Demand

RENEWABLE ENERGY

- Annual energy generation capacity in MW
- Annual energy generation in MWh



EXTERNAL REVIEW

To confirm the transparency of this Green Finance Framework and its alignment with the ICMA Green Bond Principles and the LMA Green Loan Principles, Wästbygg Group has obtained a pre-issuance Second Party Opinion from S&P Global Ratings. The Second Party Opinion will be made available on the company's website.

An independent auditor appointed by Wästbygg Group will on an annual basis provide a limited assurance report confirming that an amount equal to net proceeds from issued Green Finance Instruments have been allocated to Green Projects.



WÄSTBYGG GROUP

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