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About Heimstaden Bostad

Heimstaden Bostad is a leading European residential real estate company with an evergreen perspective and a mission to acquire, develop, and manage residential real estate in growth regions. The company was founded in 2013 in Malmö, Sweden, and operates today in nine European countries.

With a vision to enrich and simplify life through friendly homes, Heimstaden Bostad provides rental living for all stages of life – from student accommodation to housing designed for elderly people in need of extra care. People are at the heart of everything Heimstaden Bostad does.

The company is responsibly run, in line with values and policies. Investing in properties and continuously improving operational efficiency while focusing on people, environment, and climate.

By developing sustainable and attractive properties, Heimstaden Bostad creates long-term value for shareholders, employees, customers, partners, the environment and the society at large.

The business model is focused on three core processes: Analysis and Transaction, Project and Property Development, and Property Management. These processes are in active interaction and strongly contribute to Heimstaden Bostad's company-wide sustainability focus which is visible in all parts of the operations.





Our sustainability strategy

Heimstaden Bostad is strongly focused on sustainability and works strategically and holistically with the issue. Accordingly, financial, environmental, and social factors constitute the basis for our long-term business and operational development.

Population growth is one driver of demand for new properties, while older properties need renovation and modernisation to fulfil current requirements and standards. We make a positive impact to the environment when investing in standing properties, as we modernise old buildings to modern standards.

We build sustainable and viable neighbourhoods and local communities and invest in safer neighbourhoods, social contracts and affordable housing, and adaptation measures such as ecosystem services, biodiversity, and various types of green spaces.

Upgrading existing properties into modern standards yields both environmental and social benefits. In line with the Paris Agreement, we focus extensively on reducing our carbon footprint, and on enhancing energy efficiency, and building resilience to the effects of climate change. Improved air quality, indoor climate, and accessibility for tenants with disabilities are other focus areas.

The transition to a low-carbon society also present opportunities for us. By switching to renewable energy sources, investing in renewable electricity generation, and continuing to work

on energy efficiency and biodiversity measures, we will reduce our greenhouse gas (GHG) emissions and in many cases operating costs while at the same time increase the number of energy efficient buildings and adapting to climate change. In property development projects, an increased focus on the materials, recycling of building materials and on waste management will lead to emissions reduction, positive financial effects, as well as to reduced use of water.

We want our customers to have access to pleasant and healthy housing. To ensure that our projects, properties, and services will have a minimal impact on the environment and climate throughout their lifecycle, we continuously improve our efforts in our operations and across the value chain. This happens by e.g. increasing the demands we impose on suppliers and entrepreneurs. Our fully integrated platform across the property life cycle is key to achieving efficient and innovative operations. Our competent in-house management ensures a top performing and agile way of working, which combines resources and know-how in a lean and flexible organisation. By constantly sharing best practices, we ensure a common Heimstaden Bostad experience in all markets – for customers, employees, and partners.

Heimstaden Bostad's ESG approach

The core of Heimstaden Bostad's ESG approach has been reported in accordance with the GRI Guidelines and comprises of 11 material aspects:

- Economic performance
- Anti-corruption
- Tax
- Energy
- Water
- Emissions
- Waste
- Employment
- Occupational health and safety
- Human Rights
- Local Community

Heimstaden Bostad's alignment with sustainability initiatives

As part of Heimstaden Bostad's efforts to ensure that its sustainability approach and practice remain aligned with global market practice, the sustainability strategy work is aligned with the Task Force on Climate-related Financial Disclosures (TCFD). This approach lays the foundation for Heimstaden Bostad's aim with regards to minimising the environmental impact of its operations and how environmental considerations are prioritised and considered in investment decisions. In 2019, Heimstaden AB signed the UN Global Compact and committed to following the Compact's 10 principles in the areas of human rights, labour practice, environment, and anti-corruption. The commitment includes Heimstaden Bostad and its subsidiaries.

The Annual Report includes results from Heimstaden Bostad's CDP report, as well as the disclosure of climate-related governance, strategy, risks and opportunities and targets and metrics in line with the TCFD recommendations.

Heimstaden Bostad, was one of the first major European residential real estate companies to commit to the Science Based Targets initiative (SBTi). The SBTi has validated that Heimstaden Bostad's greenhouse gas emissions reduction targets have been deemed to conform with the SBTi Criteria and Recommendations. The SBTi's Target Validation Team has classified our company's Scope 1, 2 and 3 GHG emission covering downstream leased assets target for 2030 and has determined that it is in line with their estimations of the contribution required to support a 1.5°C trajectory. Heimstaden Bostad also commits that 27% of its suppliers by spend covering purchased goods and services, will have science-based target by 2027. Heimstaden Bostad will focus on reducing its carbon footprint, enhancing the energy shift and efficiency of its properties, and building resilience to the worst effects of climate change.

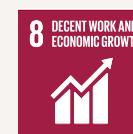
Heimstaden Bostad's contributions towards UN 'Sustainable Development Goals' (SDGs)

Heimstaden Bostad is dedicated to contributing to the reference framework of the UN 'Sustainable Development Goals' (SDGs) and Agenda 2030. Heimstaden Bostad's sustainability targets are aligned with the goals, and in its sustainability report, there are established links between the material sustainability areas and 10 SDGs.

General Impact Areas



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequality within and among countries



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Industry Specific Areas



Ensure availability and sustainable management of water and sanitation for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Protect, restore and promote sustainable use of terrestrial ecosystems

Climate risk and vulnerability assessments

During 2022, we have developed an EU Taxonomy and TCFD aligned methodology for conducting climate risk and vulnerability assessments (hereafter CRVA) on property level. This methodology has been piloted in all our markets for our first report on share of EU taxonomy alignment.

Heimstaden Bostad's strategy to identify relevant climate related risks and opportunities is based on data from the UN's Intergovernmental Panel on Climate Change (IPCC) Risk Concentration Pathway (RCP) 2.6 scenario (stringent mitigation), and its RCP 8.5 scenario (very high GHG emissions) from a short-term (2040) and long-term (2100) perspective. However, as the EU Taxonomy's Appendix 1 in Annex 1, and technical screening criteria 7.7.2 in Annex 2, focus on physical climate risks, we have chosen to investigate RCP 8.5 scenario in the CRVA.

For the geographical area in which Heimstaden Bostad has standing assets, we have concluded the most severe risks to be heat waves and torrential rains & floods (based on IPCC's WGI

interactive Atlas). For these regions, the IPCC notes with high probability that these risks will intensify in the future. This is the background to why Heimstaden Bostad has chosen to focus on these two climate risks in the CRVA. If there are known local climate risks in addition to these, they are also investigated according to the same methodology.

We have assessed risk scenarios for the year 2050. That is 27 years ahead, which corresponds to the lifespan of the economic activity and the technical Do No Significant Harm (DNSH) requirements in the EU Taxonomy (10-30 years).

Properties that have a high exposure to climate risks will undergo a vulnerability analysis. The climate exposure and degree of vulnerability are then combined and result in a final property risk score. We will prioritise mitigating measures for properties where we see an acute need, or where we expect the risk level to be very high within the five coming years.

Our ambition is to integrate CRVA fully into our country organisations and include its results in the continuous property maintenance plans. Having this systematic approach to working with climate risks is, in our belief, the best way to protect our tenants and properties from harmful climate risks.

EU Taxonomy regulation

In the fiscal year 2021, we determined that 100 per cent of Heimstaden Bostad's turnover, investments (capex) and the majority of the operating cost (opex) are 'eligible' under the EU Taxonomy regulation. Following the review of our financial activities in 2022, we have made assessments that a part of our turnover, capex and opex are 'aligned' with the taxonomy regulation. All our reported properties have been assessed against the Technical Screening Criteria for Substantial Contribution in the environmental objective of climate change mitigation and the DNSH criteria for the other objectives, more information about the EU Taxonomy reporting can be found in Heimstaden Bostad's annual report.

Heimstaden Bostad's assessment of the Minimum safeguard was based on the latest guidance from EU's Platform for Sustainable Finance and include an assessment in relation to Human rights (including labour rights), Anti-corruption/bribery, Taxation, and Fair completion. The assessment focused on the existing due diligence process in relation to these topics as well as the understanding if there are any indications of non-compliance with the minimum social safeguards. The assessment concluded that while there are some risks in relation to these topics, relevant mitigation activities are in place to address these risks within our operations. Minimum social safeguards are therefore deemed to be fulfilled.

Green Financing Framework

Photo: Jagten 1 in central Malmö - built in 1929

Heimstaden Bostad Green Financing Framework

Heimstaden Bostad rationale for Green Financing

Climate research has shown that Central Europe will have more frequent heat waves, forest fires, and droughts, while Northern Europe will get significantly wetter, and winter floods could become common. In addition, urban areas will be exposed to heat waves, flooding, or rising sea levels. This will, in a medium and long-term perspective, have an impact in markets and cities where Heimstaden Bostad owns properties. Heimstaden Bostad supports climate research and its sense of urgency, and has committed to group-wide climate targets in line with the Paris Agreement's ambition to limit global warming to 1.5°C. As a European residential company, Heimstaden Bostad supports the EU target of being climate neutral in 2050.

In EU Member States, the property sector accounts for about 36% of GHG emissions. GHG emissions have a negative impact on the climate and living conditions and the environment of communities, citizens, and our customers. Focusing on reducing emissions is the only way forward and increases opportunities for external financing.

The ongoing transition of the property sector requires large investments and in 2022 Heimstaden Bostad communicated that it will invest significantly over the coming years to reduce its GHG emissions, and in many cases also operating costs,

while at the same time increasing the number of energy-efficient buildings and adapting to climate change.

Heimstaden Bostad views green financing as a key tool for steering capital to energy efficient buildings and facilitate investor interest for greener assets in a transparent way.

Heimstaden Bostad Green Financing Framework

This Green Financing Framework (hereinafter referred to as the "Framework") is developed in alignment with ICMA Green Bond Principles 2021 (including the updated Appendix I of June 2022)¹ and the LMA/APLAM/LSTA Green Loan Principles 2021², and replaces the previous green bond framework published in 2019.

The aim of this Framework is to raise capital through green bonds and loans ('Green Financing Instruments') and the net proceeds of the Green Financing Instruments will finance or refinance³, in whole or in part, a portfolio of green eligible projects (such portfolio hereinafter referred to as 'Eligible Green Projects Portfolio'). Eligible projects are assets, capital expenditures ('capex') and/or operational expenditures ('opex') undertaken by Heimstaden Bostad that enable climate change mitigation and adaptation in the property sector ('Eligible Green Projects')⁴.

¹ www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/

² www.lma.eu.com/sustainable-lending

³ New financing is defined as Eligible Green Projects financed in and after the reporting year when the Green Financing Instrument is issued, and refinancing is defined as financing prior to the reporting year of when the Green Financing Instrument is issued.

⁴ Assets and capex shall qualify for refinancing with no look-back period, while opex shall qualify with a maximum three-year look-back period from the time of issuance.



Use of Proceeds

Eligible Green Projects (ICMA classification & EUT economic activity)	Eligibility Criteria	Mapping EU objective and SDGs
Green buildings	New buildings	EU substantial contribution
Eligible EU Taxonomy categories: 7.1, 7.2, 7.3, 7.5, 7.6, 7.7	<ul style="list-style-type: none"> - Buildings built from 1st January 2021, designed to achieve a net primary energy demand that is at least 10% lower than the threshold required by the Nearly Zero-energy Buildings ('NZEB') in the local market. 	Climate change mitigation
	Existing buildings	UN SDG
	Existing buildings (for buildings built before 1st January 2021) with dedicated energy management systems in place, proven by meeting one of the following criteria:	Target 7.3
	<ul style="list-style-type: none"> - Buildings with an Energy Performance Certificate (EPC) with energy class A or 	
	<ul style="list-style-type: none"> - Buildings belonging to the top 15 per cent of the national building stock in terms of primary energy demand (PED) defined through e. g. a specialist study. 	
	Major renovations	
	Renovation of existing buildings that lead to an overall reduction in primary energy demand per square meter and year (kWh/m ² /year) by at least 30 per cent compared to the pre-investment decision or, the building renovation complies with the applicable requirements for major renovations ¹	
	Energy efficiency measures	
	Direct costs (e. g. material, installation and labour costs) for installing energy efficient technologies such as heat pumps, smart control systems, new windows, improved thermal insulation, energy efficient lighting, ventilation systems, replacement with efficient pumps, optimisation on heating systems or costs for enabling renewable energy sources.	

¹ As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

Project Evaluation and Selection Process

Heimstaden Bostad has established a clear decision-making process to determine the eligibility of the nominated Eligible Green Projects, in accordance with the description of the Eligibility Criteria mentioned in the Use of Proceeds section of the Framework.

Eligible Green Projects will be selected by a dedicated Green Finance Working Group (hereinafter referred as to the 'Working Group') set up within Heimstaden Bostad. The Working Group is formed by members of the Group Treasury, Group Asset Management and Group Energy Management.

The Working Group is responsible for:

1. Reviewing the content of Heimstaden Bostad's Green Financing Framework and updating it to reflect changes in corporate strategy, technology, market, or regulatory developments on a best effort basis.
2. Ensuring that external documents solicited by Heimstaden Bostad such as the Second Party Opinion (SPO) and related reports from building consultants and accountants are up to date.

3. Evaluating and defining the Eligible Green Project Portfolio in line with the Eligibility Criteria as set out in the Framework validating the purpose of the financing and the environmental objectives they contribute to.

4. Evaluate this framework against the requirements of the EU Taxonomy Regulation for the climate change mitigation objective, including the requirements of the DNSH assessment and the minimum safeguards. This may be done after the publication of Heimstaden Bostad's taxonomy alignment reporting.

5. Excluding projects that no longer comply with the Eligibility Criteria or have been disposed of and replacing them on a best effort basis.

6. Overseeing the allocation of the proceeds from Green Financing Instruments to the Eligible Green Project Portfolio to monitor that the value of the Eligible Green Project Portfolio equals or exceeds the value of issued Green Financing Instruments over time.

7. Overseeing, approving and publishing the allocation and impact reporting, including external assurance statements. Heimstaden Bostad may rely on external consultants and their data sources, in addition to its own assessment.

8. Monitoring internal processes to identify mitigants to known material risks of negative social and/or environmental impacts associated with the Eligible Green Project Portfolio. Such mitigants may include explicit and relevant trade-off analysis undertaken and monitoring required where the issue assesses the potential risks to be meaningful.

9. Liaising with the relevant business finance segments and other stakeholders as above.

The Working Group will meet at least on a biannual basis.

The Eligible Green Projects will be approved by the Green Finance Committee, based on the proposal of the Working Group, at least on an annual basis. The Green Finance Committee is chaired by the Chief Sustainability Officer and comprises the following members: Chief Executive Officer, Chief Sustainability Officer and Head of Funding.



Management of Proceeds

Tracking of net proceeds

The net proceeds from Green Financing Instruments will be managed according to a portfolio approach. Heimstaden Bostad will use an Eligible Green Project Portfolio to track the allocation of net proceeds from Green Financing Instruments to Eligible Green Projects. The purpose of the Eligible Green Project Portfolio is to ensure that net proceeds from Green Financing Instruments only support the financing of Eligible Green Projects. It is Heimstaden Bostad's intention to maintain an aggregated amount of assets in the Eligible Green Project Portfolio that is at least equal to the aggregated net proceeds of all Green Financing Instruments outstanding.

Temporary holdings

Unallocated net proceeds from Green Financing Instruments may temporarily be placed in the liquidity reserve or any other treasury business and managed accordingly by Heimstaden Bostad. All Green Bond net proceeds shall be fully allocated within 36 months of issuance.

Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction, gambling or tobacco.

Reporting

To enable the monitoring of performance and provide insight into prioritised areas, Heimstaden Bostad will annually and until maturity of the Green Financing Instruments issued, provide investors with a report that describes the allocation of proceeds and the climate-related impact of the Eligible Green Projects. The report will be made available on Heimstaden Bostad’s website together with this Framework. In the case Heimstaden Bostad would have other Green Financing Instruments than bonds outstanding the company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

Allocation reporting

Allocation reporting may include the following information:

1. The outstanding amount of Green Financing Instruments issued, presented per type of Green Financing Instrument.
2. The balance of the Eligible Green Projects in the Eligible Green Project Portfolio (including any temporary investments and Green Financing Instrument repayments).
3. The total proportion of net proceeds from Green Financing Instruments used to finance new Eligible Green Projects and the proportion of net proceeds from Green Financing Instruments used to refinance Eligible Green Projects.
4. Location of the Green Eligible Projects, at least at country level.
5. Alignment of the eligible portfolio with the EU Taxonomy Climate Delegated Act

Impact reporting

The impact reporting aims to disclose the climate-related impact of the Eligible Green Projects financed under this Framework. The impact report will also disclose to what environmental objectives the Eligible Green Projects contribute.

As Heimstaden Bostad can finance a large number of Eligible Green Projects, impact reporting will, to some extent, be aggregated.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis. Heimstaden Bostad intends to align, on a best effort basis, the reporting with the portfolio approach described in ICMA’s “Handbook – Harmonised Framework for Impact Reporting (June 2022¹)”.

The impact assessment will, if applicable, be based on the following impact indicators:

- Annual calculated energy use avoided compared to the relevant building code or pre-investment situation (MWh).
- Annual GHG emissions avoided (tonnes of CO₂e emissions).
- Installed renewable energy capacity (kWp) as well as annual renewable energy generation (kWh).

¹ [Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf \(icmagroup.org\)](#)



External review

Pre-issuance review

Second Party Opinion

Sustainalytics has provided a second-party opinion to this Framework, verifying its credibility, impact and alignment with the ICMA and LMA Principles.

EU Taxonomy assessment

Heimstaden Bostad reports on EU taxonomy alignment for its operations as a part of the annual report. For transparency, an EU taxonomy alignment assessment of the Framework has been conducted by Sustainalytics as a part of the second opinion.

Post-issuance review

An independent external party, appointed by Heimstaden Bostad, will on an annual basis, until full allocation and in the event of material developments, provide a review confirming that an amount equal to the net proceeds has been allocated to Eligible Green Projects.

Publicly available documents

The Framework and the second-party opinion will be publicly available on Heimstaden Bostad's website, together with the post-issuance review and the reporting, once published.

Sustainability-Linked Financing Framework

Sustainability-Linked Financing Framework

This Sustainability-Linked Financing Framework (hereinafter referred to as the “Framework”) intends to link certain of Heimstaden Bostad’s funding with key sustainability objectives, leveraging ambitious timelines to achieve sustainability performance that is relevant, core, and material to the business.

The Framework will apply to Sustainability-Linked Financial Products issued by Heimstaden Bostad such as Sustainability-Linked Bonds and Sustainability-Linked Loans (‘Sustainability-Linked Financing Instruments’).

The terms and conditions of the underlying documentation for each Sustainability-Linked Financing Instruments issued by

Heimstaden Bostad shall provide a reference to this Framework. The purpose of the Framework is to define the KPI, SPT, financial characteristics, disclosure and verification related to our sustainability-linked financing.

The Sustainability-linked Financing Framework has been developed to be aligned with the Sustainability-Linked Bond Principles¹ (‘SLBP’) established by the International Capital Markets Association (‘ICMA’) in June 2020 and the Sustainability Linked Loan Principles² (‘SLLP’) established by the Loan Markets Association (‘LMA’), the Asia Pacific Loan Market Association (‘APLMA’) and the Loan Syndication and Trading Association (‘LSTA’) in March 2022.

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

² <https://www.lsta.org/content/sustainability-linked-loan-principles-sllp/>



Selection of the Key Performance Indicators

The selection of the key performance indicators has been made after considerations on which topics are relevant, core and material to Heimstaden Bostad’s operations.

KPI: Absolute scope 1, 2 and 3 GHG emissions covering downstream leased assets

The KPI refers to the EU environmental objective ‘Climate Change Mitigation’, as well as the United Nations Sustainable Development Goal 13 ‘Climate Action’.

Methodology

Data on greenhouse gases are collected and reported in accordance with the methodology of the GHG Protocol, applying the financial control approach.

Our scope 1 emissions derive from fuel combustion where Heimstaden Bostad has contracted the energy supplier for property heating and from refrigerants, and from fuel used in company-owned vehicles and vehicles with a financial lease. Our scope 2 emissions derive from the district heating, district cooling and electricity in our properties, where Heimstaden Bostad is on the energy contract. The scope 3 emissions cover downstream leased assets (category 13) in the GHG protocol.

The KPI cover Heimstaden Bostad’s full scope 1 and 2 emissions and approximately 60 per cent of the total scope 3 emissions.

Historical performance

Performance data on tonnes of CO₂e emitted, scope 1 & 2 as well as scope 3 downstream leased assets, are presented below:

Full Year	Tonnes CO ₂ e Baseline recalculation (February/2023)
2020 (base year)	Scope 1: 25,961 Scope 2 (market): 167,985 Scope 3 (downstream leased assets): 140,862 Total: 334,808
2022	Scope 1: 21,880 Scope 2 (market): 168,484 Scope 3 (downstream leased assets): 152,330 Total: 342,694

For each acquisition and divestment, Heimstaden Bostad’s total GHG emissions may change significantly. The baseline, 2020, and the latest 2022 figures have been recalculated to reflect recent years’ significant changes to the portfolio of buildings. However, other recent years have not been recalculated and are thereby not comparable to the baseline. Consequently, they are not provided in this framework. We refer to the Annual Report or Heimstaden Bostad’s website for the latest verified recalculations of the baseline.

Heimstaden Bostad has set a base year to allow comparison between different years on a like-for-like basis, recalculations of the base year will also be needed. The recalculations will be conducted in accordance with Heimstaden Bostad’s Recalculation Principles and reported in the annual report or Heimstaden Bostad’s website.

Materiality and rationale behind the KPI

In EU Member States, the property sector accounts for about 36% of GHG emissions. GHG emissions have a negative impact on the climate and living conditions and the environment of communities, citizens, and our customers. Focusing on reducing emissions is the only way forward and increasing opportunities for external financing. GHG emissions occur throughout our entire value chain, including our suppliers, contractors, and customers. The majority of scope 1 and 2 emissions are generated by energy usage in our properties, while scope 3 emissions mostly come from the energy consumption purchased by our tenants, new construction, reconstruction, and renovation.

To address stakeholder expectations and evaluate issues that are important to Heimstaden Bostad, we conduct materiality assessments by engaging in dialogues with our stakeholders as well as accounting for Heimstaden Bostad’s impact on people, environment, climate, economy, and society, and our vision and business strategy.

Our environmental work is based on Heimstaden Bostad’s strategic pillars and underlying sustainability strategy. Heimstaden Bostad has set a new climate target reducing absolute scope 1, 2 and 3 GHG emissions covering downstream leased assets with 42% by 2030 from a 2020 base year. The target boundary includes biogenic land-related emissions and removals from bioenergy feedstocks. The target is in line with the 1.5°C Paris Agreement ambition and has been verified by the Science Based Targets initiative (SBTi).

To be able to achieve our objectives in time, we have assigned a budget to the climate target and will evaluate emissions data annually to track our progress. Emissions-reduction measures are prioritised according to their expected impact and at a reasonable cost. Our operations organisation is responsible for follow-up on energy usage in our properties and emissions-reduction measures.



Calibration of the Sustainability Performance Target

SPT: Reduce absolute scope 1, 2 and 3 GHG emissions covering downstream leased assets 42% by 2030 from a 2020 base year.

Benchmark

The target has been validated and approved by the Science Based Targets initiative and is aligned with the 1.5°C scenario.

Strategy to achieve the SPT

Heimstaden Bostad plans to reduce its GHG emissions, and in many cases operating costs, while at the same time increasing the number of energy-efficient buildings and adapting to climate change, by reducing emissions through sustainable solutions in our own energy generation and in purchased energy, as well as by adopting energy-efficiency measures. To meet our targets, we plan to make changes in the fuel used in our properties through pursuing local heating and energy production, installing heat pumps, efficient gas- or electric boilers, and switching to green electricity. In addition, we need to successfully engage energy providers to reduce use of fossil fuels. Energy-efficiency measures include insulation and ventilation improvements, sensor-controlled LED lighting, and smart control of heating and electrical systems as well as optimisation on heating systems to minimise losses. We also encourage tenants to reduce energy usage.

To reach our climate targets, we will invest significantly over the coming years. Measures that cost the most often have the greatest emissions reduction potential, nevertheless we plan

to work on both large and small steps as well, as every effort counts.

Heimstaden Bostad has established local carbon emission pathways in all countries where it operates. The climate impact and carbon emission pathways in local markets vary due to differences in national climate policies, energy mix, and EPC scheme implementation, but also due to differences in properties' energy performance.

Although our targets apply to the Heimstaden Bostad group as a whole, there will be differences in the extent of measures in different markets and where they will take place.

The Czechia accounts for a majority of the group's Scope 1 and 2 emissions and will require about 30% of our emissions-reduction investment and account for around 60% of the emission reductions. In the Netherlands, tenants typically have their own energy contracts outside our influence, while in Norway, despite a cold climate and high energy usage, there is a low emissions intensity due to the prevalence of relatively clean district heating and hydropower. In Denmark the main part of the tenants buy their heat via Heimstaden Bostad, while for electricity the standard is that the tenants have their own contracts. Our previously communicated pathway budget based on our 2020 portfolio of over SEK 7 billion by 2030 is under revision, and an updated budget in line with current portfolio size and recent growth will be presented during Q1, 2023.

Risks to achieving the targets

Acquisition or mergers close to the target observation date

An acquisition or merger close to the target observation date will likely affect the SBTi benchmark negatively as well as the performance of the SPT, with limited time to make any important changes and measure the effects.

Energy provider improvements do not meet expectations

In calculating its Science Based Targets, Heimstaden Bostad anticipates that some reductions in Scope 1 and 2 emissions from its portfolio of buildings will result from improvements in carbon intensity of district heating and electricity generation in the markets where it operates. Therefore, it is a risk that district heating providers and electricity producers do not improve their carbon intensity in line with expectations.

Temperature changes

For good reasons, the SBTi does not acknowledge temperature shifts as the carbon reduction needs to be absolute over time, regardless of temperature shifts from year to year. However, an unusually [hot and/or] cold year could have a negative implication in absolute carbon emissions in a given year as Heimstaden Bostad would need a greater amount of energy to [cool and/or] heat the buildings in its portfolio. If such an unusual year was to occur during the target observation date for the SPT, this may have negative implications on achieving the target.

Strategy per country summarised



1. Energy provider improvement	Actively engage energy providers						
2. Origin-certified renewable electricity	Ensure green electricity for all properties ¹ Include renewable energy production in all newbuilds ² Substantially increase renewable energy production capacity for existing properties						
3. Fuel Shifts	Shift from district heating to heat pumps ^{3,4} Coal and individual gas to central gas and heat pump ⁴	Convert gas boilers to electric boilers ⁴	Replace central gas boilers with heat pumps or district heating ⁴	Replace central gas boilers with heat pumps or district heating ⁴	No planned activities (All fossil-based boilers are already replaced)	No planned activities (Most heating emissions is from district heating - energy provider improvement expected)	Implementation of geothermal heating and solar panels
4. Energy efficiency improvements	Insulate attic and walls for majority of buildings ⁵ (All windows are already replaced)	Insulate attic and walls Upgrade windows Optimise heating systems, ventilation and control systems	Insulate attic and walls for majority of buildings Upgrade windows Installation of heat recovery on exhaust air Optimise heating systems, ventilation and control systems ⁷	Insulate attic and walls ⁶ Upgrade windows ⁶ Optimise heating systems, ventilation and control systems ⁷	Insulate attic and walls Upgrade windows Optimise heating systems, ventilation and control systems	Insulate attic and walls Upgrade windows Installation of heat pumps on exhaust air Optimise heating systems, ventilation and control systems	Insulate attic Installation of heat pumps on exhaust air Optimize heating systems and control systems ⁷
5. Engage tenants (scope 3)	Get full overview of energy consumption for our properties through smart meters and digitalisation (incl. what customers are responsible for in countries where legislation allows it) Motivate tenants to reduce energy use through education and incentives Offer cost attractive renewable energy contracts in cooperation with energy suppliers						

¹ Where Heimstaden owns the contract.

² Where applicable

³ Will be done in a dedicated energy company called DomTherm.

⁴ With green electricity

⁵ Where regulation allows, around 70% of homes.

⁶ For buildings with scope 1&2 emissions and selected buildings with scope 3 emissions, majority of tenants have own energy contract –not affecting our scope 1&2 emissions. Our scope 1&2 emissions are related to around 10% of current homes in NL.

⁷ Impact not included here – need further investigation.

Financial Characteristics

The financial characteristics of any Sustainability-Linked Financing Instrument issued under this Framework – including but not limited to specification of financial impact triggered by whether sustainability performance targets (SPTs) are achieved or not, SPT baseline years and mechanisms to recalculate the baseline, target observation dates and reporting end dates – will be specified in each instrument’s transaction-specific documentation (e.g. Final Terms of the Sustainability Linked Bond, the Facility Agreement of the Sustainability-Linked Loan). The financial characteristics may result in a coupon adjustment, a premium payment or a margin adjustment as specified in the transaction-specific documentation.

Baseline recalculation must be in accordance with Heimstaden Bostad’s latest Recalculation Principles¹. Baseline recalculation may occur annually as a result of acquisitions and divestments or as a result of specific circumstances, such as availability of data or major events that have a material impact on Heimstaden’s structure.

¹ Current version 1.0 - dated 15.05.2022





Reporting

Heimstaden Bostad will publish a sustainability-linked progress report annually to ensure that investors and other stakeholders have updated and adequate information about Heimstaden Bostad's sustainability strategy and the performance of the KPI against the SPT.

The reporting may be in the form of either a stand-alone report or incorporated into the integrated Annual Report. The annual reporting will form the basis for evaluating potential financial impact as outlined in "financial characteristics" and the transaction-specific documentation.

The performance level of the KPI against the SPT shall be verified by a qualified external reviewer with relevant expertise as described in the Verification section.

In the case Heimstaden Bostad would have other Sustainability-Linked Financing Instruments than bonds outstanding the company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

The sustainability-linked progress report will include the following reporting points:

- The performance of the KPI against the SPT, as per the relevant reporting period.
- Calculation methodology, information about baseline and potential recalculations, when applicable.
- Information on any relevant updates to Heimstaden Bostad's sustainability strategy and/or governance with a potential impact on the KPI.
- A list of Sustainability-Linked bonds outstanding.

Where feasible and relevant the reporting will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including mergers and acquisition activities, behind the development of the performance on the KPI on an annual basis.
- Updates on new or proposed regulations from regulatory bodies relevant to the KPI and the SPT.

Verification

Post Issuance Verification

Heimstaden Bostad will annually seek external and independent verification of the level of performance of the KPI against the SPT by one or more qualified external reviewer with relevant expertise. The verification will be publicly available together with Heimstaden Bostad's sustainability-linked progress report as set out in section 'Financial Characteristics' and specified in related the transaction-specific documentation.

Second party opinion

Heimstaden Bostad has engaged Sustainalytics to provide a Second Party Opinion to this Framework assessing the relevance, robustness, reliability and ambition level of the selected KPI and SPT and confirming its alignment with the Sustainability-Linked Bond Principles.

Publicly available documents

The Framework and the second party opinion will be publicly available on Heimstaden Bostad's website, www.heimstaden-bostad.com, together with the annual reporting and verification once published.



Heimstaden

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