

Second-Party Opinion Heimstaden Bostad Green and Sustainability-Linked Financing Framework



Evaluation Summary

Use of Proceeds Instruments

Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics is of the opinion that the Heimstaden Bostad Green and Sustainability-Linked Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. The eligible category for the use of proceeds – Green Buildings – is aligned with those recognized principles and will lead to positive environmental impacts.

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2020

Sustainability-Linked Loan Principles 2022

Sustainalytics is of the opinion that the Heimstaden Bostad Green and Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022.

Overview of the Framework's KPI and SPT:

KPI	Strength of the KPI	SPT	Ambitiousness of SPT
Absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) (tCO2e)	Very Strong	Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline	Highly Ambitious

Evaluation Date	February 28, 2023
Issuer Location	Malmö, Sweden

The UoP and SPT contribute to the following SDGs:



Alignment with EU Taxonomy

Sustainalytics has assessed Heimstaden Bostad's Green and Sustainability-Linked Financing Framework for alignment with the EU Taxonomy. The criteria defined in the Framework's use of proceeds category map to six activities in the EU Taxonomy. Sustainalytics is of the opinion that the criteria defined in the Framework's use of proceeds category align with the applicable Technical Screening Criteria (TSC) in the EU Taxonomy and with the Do No Significant Harm (DNSH) Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the Heimstaden Bostad Green and Sustainability -Linked Financing Framework with current market standards. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with: the Green Bond Principles 2021 and the Green Loan Principles 2021 (the "Use of Proceeds Principles"); the EU Taxonomy Climate Delegated Act; the Sustainability-Linked Bond Principles 2020 and the Sustainability-Linked Loan Principles 2022 (the "Sustainability-Linked Principles");^{2,3}
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of Heimstaden's management team to understand the sustainability impact of its business processes and the core components of the Framework. Heimstaden representatives have confirmed that:

- (1) They understand it is the sole responsibility of Heimstaden Bostad to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) 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 Heimstaden Bostad.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.12, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects but does not measure their actual impact. Reporting and measuring impact of projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, the Second-Party Opinion:

- addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that Heimstaden Bostad may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

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¹ 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.

² The bond-related principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

³ The loan-related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

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Introduction

Heimstaden Bostad AB (“Heimstaden Bostad” or the “Company”) is a Sweden-incorporated private real estate company that acquires, develops and manages residential properties in nine European countries: Czechia, Denmark, Finland, Germany, the Netherlands, Norway, Poland, Sweden and the United Kingdom. The Company is majority-owned by Heimstaden AB, along with other long-term institutional investors. Headquartered in Malmö, Sweden, Heimstaden AB as a group was established in 2013 and had a combined workforce of 2,482 as of December 2022 (of which 2,224 are Heimstaden Bostad’s employees).

Heimstaden AB has developed the Heimstaden Bostad Green and Sustainability-Linked Financing Framework dated February 2023 (the “Framework”) under which it intends to issue use of proceeds green bonds and loans and sustainability-linked bonds and loans. Heimstaden engaged Sustainalytics to review the Framework and provide a second-party opinion on the Framework’s alignment with the Green Bond Principles 2021, Green Loan Principles 2021, EU Taxonomy 2021 Delegated Act, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2022. The Framework will be published in a separate document.⁴

Under use of proceeds instruments, the proceeds will finance or refinance, in whole or in part, existing and future energy-efficient residential real estate projects. The Framework defines eligibility criteria in one category:

- Green Buildings

Under sustainability-linked instruments, the coupon or interest rate of the bond or loan is tied to the achievement of a sustainability performance target for one KPI addressing the Company’s GHG emissions.

Tables 1 and 2 below show the KPIs and SPTs that Heimstaden Bostad defined.

Table 1: KPI Definition

KPI	Definition
Absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13)	The KPI is defined as the absolute amount of: i) scope 1 and 2, and ii) scope 3 GHG emissions from Heimstaden Bostad’s downstream leased assets (category 13), measured in tonnes of CO ₂ equivalent (tCO ₂ e). Scope 1 emissions are direct emissions from Heimstaden Bostad’s operations resulting from burning of fossil fuels including for heating and transportation. Scope 2 emissions are indirect emissions stemming from purchased electricity, steam and heat. Scope 3 emissions relate to emissions from downstream leased assets (category 13), which is considered the most significant source of the Company’s scope 3 emissions from its real estate operations. The KPI’s boundary includes all real estate assets over which Heimstaden Bostad exercises financial control. The Company calculates its GHG emissions in accordance with the GHG Protocol standards. ⁵

Table 2: SPT and Past Performance

KPI	2020 (baseline)	2022	SPT 2030
KPI: Absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13)	334,808 tCO ₂ e	342,694 tCO ₂ e	SPT 1: Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline.

⁴ The Heimstaden Bostad Green and Sustainability -Linked Financing Framework will be available on Heimstaden Bostad AB’s website at: <https://www.heimstadenbostad.com/home/default.aspx>

⁵ The Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

⁶ Data for 2019 and 2021 have not been provided by the Company as these have not been adjusted for properties that have been acquired after those dates. Data for 2020, the baseline year, have been adjusted to account for the emissions from these properties,

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Use of Proceeds Principles

Sustainalytics is of the opinion that the Heimstaden Bostad Green and Sustainability -Linked Financing Framework is credible, impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2021 (the "Use of Proceeds Principles"). For detailed information, please refer to Appendix 4: Green Bond / Green Bond Programme - External Review Form. Sustainalytics highlights the following elements of the Heimstaden Bostad Green and Sustainability-Linked Financing Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds Category	Activity	Description and Sustainalytics' Assessment
Green Buildings	Development or acquisition of new and existing buildings	<ul style="list-style-type: none"> - The Framework requires that new buildings built after 1 January 2021 achieve a net primary energy demand (PED) that is at least 10% lower than the local threshold set for nearly zero-energy building (NZEB) requirements.⁷ - The Framework requires that existing buildings built before 1 January 2021 with dedicated energy management systems meet one of the following criteria: i) have obtained an energy performance certificate (EPC) with energy class A or above⁸; or ii) belong to the top 15% of the low-carbon building stock at a national level-based PED through a specialist study.⁹ - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
	Major renovations of existing buildings	<ul style="list-style-type: none"> - Heimstaden Bostad intends to finance renovation costs in alignment with the following criteria: i) the renovation leads to an overall reduction in energy or emissions performance by at least 30% compared to pre-renovation levels; or ii) renovations comply with major renovation requirements listed in the applicable national and regional building regulations that implement the Energy Performance of Buildings Directive (EPBD). - Sustainalytics notes that the EU Taxonomy¹⁰ requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU member states. Sustainalytics therefore encourages Heimstaden Bostad to report on the actual improvement on PED performance or energy savings achieved in comparison with the existing building stock in the area or region. - Based on the above, Sustainalytics considers investments under this category to be in line with market practice.
	Energy efficiency measures	<ul style="list-style-type: none"> - Heimstaden Bostad intends to finance direct costs for installing energy efficient technologies, including electric heat pump, smart control systems,

⁷ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁸ Heimstaden has communicated that it intends to finance buildings with an EPC energy class above A as well.

⁹ Heimstaden has communicated to Sustainalytics that the top 15% will be determined through a specialist study that replicates the methodology utilized by Rakli in Finland and Fastighetsägarna in Sweden.

Rakli, "Rakennuskannan 15% parhaimmiston primäärienergian kulutuksen määrittely", (2022), at: <https://view.taiqa.com/rakli/selvitys-liittyen-eun-kestavan-rahoituksen-taksonomian-kriteeriin-77#/page=1>

Fastighetsägarna, "Topp 15 och 30 procent av de bästa byggnaderna", (2022), at:

<https://www.fastighetsagarna.se/globalassets/bilder/nyheter/sverige/topp-15-och-30-sverige-221214.pdf?bustCache=1671217429654>

¹⁰ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

		<p>new windows, improved thermal insulation, energy efficiency lighting, ventilation systems, replacement of circulation pumps used for heat distribution with efficient pumps, optimization on heating systems¹¹ or costs for enabling renewable energy sources.</p> <ul style="list-style-type: none"> - The Company confirms intention to finance electric heat pumps that have mechanisms which: (i) promote robust refrigerant leak-control, detection and monitoring; and (ii) ensure recovery, reclamation, recycling or destruction of refrigerants at the end of life. - The Company confirmed exclusion of heat pumps with a high global warming potential and energy efficiency related to fossil powered technologies or equipment. - Heimstaden has communicated to Sustainalytics that projects may also consist of installing solar PVs in new builds and selected existing buildings.¹² - Sustainalytics considers investments under this category to be in line with market practice.
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Project Evaluation and Selection

- Heimstaden has established a Green Finance Working Group (the “Working Group”), comprised of members from the Company’s Group Treasury, Group Asset Management and Group Energy Management, will be responsible for the evaluation and selection of projects in accordance with the criteria defined in the Framework. The Green Finance Committee, comprising the Chief Executive Officer, Chief Sustainability Officer and Head of Funding will be responsible for the final approval of eligible projects.
- The Working Group will monitor internal processes to identify mitigants for material environmental and social risks associated with the eligible projects portfolio. For additional details, refer to Section 2.
- Based on a well-defined project evaluation and selection process and the presence of an adequate risk management system, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- The Working Group will be responsible for the management of proceeds. Heimstaden will track the allocation of net proceeds using an eligible green projects portfolio.
- The Company intends to allocate net proceeds at the time of issuance from the respective issuance date or within 36 months of the respective issuance date. Pending full allocation, net proceeds will be temporarily held in a liquidity reserve or any other treasury business and managed by the Company. The Company commits to exclude from such temporary holdings any investments in entities with a business plan focused on fossil and nuclear energy generation, research and development within weapons or defence, environmentally negative resource extraction, gambling or tobacco.
- Heimstaden Bostad has established a look-back period of up to three years for the refinancing of operating expenses associated with eligible projects.
- Based on a well-defined approach to manage proceeds, including disclosure of an allocation timeframe and temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice.



Reporting

¹¹ Heimstaden has communicated that this includes fine-tuning the heating systems.

¹² Heimstaden has confirmed that selected existing buildings are those where it is economically sound (i.e. the property is in a location ideal for solar radiation and uses enough electricity to use the production). This will make up a smaller part of the portfolio.

- Heimstaden Bostad intends to report on the allocation and impact of proceeds in a report on its website annually until the maturity of the green finance instruments issued.
- Allocation reporting may include the outstanding amount of green finance instruments issued, presented per type of green financing instrument, the balance of eligible green projects in the eligible green projects portfolio (including any temporary investments and green financing instrument repayments), 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, location of the green eligible projects, and at least at the country level and alignment of the eligible portfolio with the EU Taxonomy Climate Delegated Act.
- Impact reporting may include the following key performance indicators, and in some cases, on an aggregated basis: i) annual calculated energy use avoided compared to the relevant building code or pre-investment baseline (in MWh); ii) annual GHG emissions reduced or avoided (in tCO₂e); and iii) installed renewable energy capacity (in kWp) and annual renewable energy generation (kWh).
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Framework aligns with the Sustainability-Linked Bond Principles 2020 and Sustainability-Linked Loan Principles 2022 (the "Sustainability-Linked Principles"). For detailed information, please refer to Appendix 55: Sustainability Linked Bond External Review Form. Sustainalytics highlights the following elements of the Heimstaden Bostad Green and Sustainability-Linked Financing Framework:



Selection of Key Performance Indicators (KPIs)

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environment or social issues; and ii) to what portion of impact the KPI is applicable.

KPI: Absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13)

Sustainalytics considers the KPI to be material and relevant based on the International Capital Market Association's (ICMA) identification of GHG emissions as a highly material issue for real estate companies. Additionally, Heimstaden Bostad's internal assessment¹³ considers GHG emissions a material environmental risk based on Global Reporting Initiative (GRI) standards in addition to energy and water use, and waste in its real estate operations.

In terms of applicability, the KPI covers scope 1 and 2 emissions, which account for 42% of Heimstaden Bostad's emissions in 2020. It also covers emissions from downstream leased assets (category 13), which are the single biggest source of the Company's scope 3 emissions, accounting for 66% of Heimstaden Bostad's scope 3 emissions or 38% of its total emissions in 2020. Overall, the KPI addresses 80% of the Company's total GHG emissions in 2020 reflecting a very high scope of applicability.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether a clear and consistent methodology is used; ii) whether the issuer follows an externally recognized definition; iii) whether the KPIs

¹³ Heimstaden Bostad, "Annual Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

provide a direct measure of the performance of the issuer on a material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked to an external, contextual benchmark.¹⁴

Sustainalytics considers Heimstaden Bostad’s definition and methodology to calculate progress on the KPI to be clear and consistent with the Company’s historical reporting. Heimstaden Bostad also follows the GHG Protocol Standards for calculating and reporting its GHG emissions, which is considered an industry standard. Sustainalytics considers the KPI to be directly linked to Heimstaden Bostad’s performance in relation to the material environmental issue of GHG emissions. Furthermore, as the KPI represents an absolute emissions metric, Sustainalytics is of the opinion that it is well suited to be benchmarked against the SBTi’s absolute contraction approach.¹⁵

Overall Assessment

Sustainalytics overall considers the KPI absolute scope 1, 2 and 3 emissions from downstream leased assets (category 13) to be very strong given: i) it speaks to material environmental issues directly related to the Company’s environmental performance; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology; and iv) it supports benchmarking against external emission reduction trajectories.

KPI	Strength of KPI			
Absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13)	Not Aligned	Adequate	Strong	Very Strong



Calibration of Sustainability Performance Target (SPT)

Alignment with Heimstaden Bostad’s Sustainability Strategy

Heimstaden Bostad has set the following SPT for its KPI:

- Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline.

Sustainalytics considers the SPT to be aligned with Heimstaden Bostad’s sustainability strategy (please refer to Section 2 for an analysis of the credibility of Heimstaden Bostad’s sustainability strategy). Heimstaden Bostad has identified decarbonization, energy management, water and waste management, preserving biodiversity and ecosystems as the key material issues for itself and its stakeholders. In this context, the Company has established decarbonization targets that have been validated by the SBTi. The targets include two commitments: the first one being the SPT; the second is a commitment to have 27% of its expenditures on purchased goods and services come from suppliers that have science-based targets by 2027, which would cover an additional 23% of Heimstaden Bostad’s scope 3 emissions in relation to the baseline year.

Strategy to Achieve the SPTs

Heimstaden Bostad intends to achieve the SPT through the following strategy:

- Heimstaden Bostad aims to engage with energy providers to increase the use of renewable energy.
- To increase the use of origin-certified, renewable electricity across its properties, Heimstaden Bostad plans to build renewable energy production facilities in all new buildings, where applicable, and substantially include such facilities into existing properties that are deemed suitable. Heimstaden Bostad has also set country-specific targets to reflect the energy efficiency of its properties in each country. This would include, for example, replacing coal and gas boilers with heat pumps in Czechia and converting gas boilers to electric boilers in Denmark.

¹⁴ External contextual benchmarks provide guidance on the alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

¹⁵ Science Based Targets initiative, “SBTi Corporate Manual – Science Based Targets” (2021), at: <https://sciencebasedtargets.org/resources/files/SBTi-Corporate-Manual.pdf>

- Regarding energy efficiency improvements, Heimstaden Bostad has set country-specific targets including insulating attics and walls across countries, upgrading windows in the Netherlands and optimizing heating systems in Heimstaden Bostad’s properties in Norway and Sweden.
- To reduce energy consumption from its properties, Heimstaden Bostad aims to provide smart meters and digital tools to measure energy consumption, motivate tenants to reduce energy consumption through education and incentives as well as offer the tenants cost-attractive energy contracts.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPT, Sustainalytics considers whether the SPT goes beyond business as usual trajectory, ii) how the SPT compares to targets set by peers, iii) and how the SPT compares with science.¹⁶

Heimstaden Bostad has set the baseline for the SPT at 2020 to be aligned with its climate targets that have been validated with SBTi.

SPT: Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline.

Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance, and alignment against SBTi references.

Heimstaden Bostad’s GHG emissions increased by more than 750% between 2019-2022 mainly as a result of expansion of the Company’s portfolio to Czechia and the Netherlands in 2020. To achieve its SPT, Heimstaden Bostad needs to reduce its absolute emissions by 4.2% annually from 2020 until 2030. Sustainalytics notes that the target rate of reduction in Heimstaden Bostad’s absolute GHG emissions implies a material improvement in comparison with Heimstaden Bostad’s historical performance.

Based on Sustainalytics’ assessment of Heimstaden Bostad’s peer group, the SPT implies an average annual percentage decrease which is below similar targets set by the majority of the Company’s peers. However, in terms of science, Sustainalytics notes that Heimstaden Bostad’s SPT is aligned with a 1.5°C scenario under SBTi’s absolute contraction approach.

Overall Assessment

Sustainalytics considers the SPT to align with Heimstaden Bostad’s sustainability strategy and considers Heimstaden Bostad’s SPT to be highly ambitious given that it presents a material improvement compared to past performance and aligns with a 1.5°C scenario.

SPT	Ambitiousness of SPT			
Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline.	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Bond and Loan Characteristics

Heimstaden Bostad has disclosed that the financial characteristics of the instruments that will be issued under the Framework will be adjusted in case of a trigger event linked to: i) the non-achievement of the SPT on the target observation date, or ii) non-compliance with reporting and verification commitments as set out in the specific transaction documentation. The change in financial characteristics involves a redemption premium or increase in the coupon for bonds, or a step up in the margin for loans.

¹⁶ We refer here to contextual benchmarks, that indicate the alignment of targets with ecosystem boundaries.

The coupon and margin adjustments and premium payment amount, as well as the baseline year,¹⁷ the mechanism for recalculating the baseline and the target observation date, will be specified in the relevant transaction documentation. Sustainalytics recognizes that the financial characteristics of the sustainability-linked bonds and loans are aligned with the SLBP and the SLLP.



Reporting

Heimstaden Bostad commits to provide an annual report on its progress on the KPI, and when applicable, calculation methodology, potential baseline recalculation and relevant updates to its sustainability strategy. The report, which will be either stand-alone or incorporated into the Company's integrated annual report, will be published on Heimstaden Bostad's website. For loans, Heimstaden Bostad may choose to provide the report privately to its lenders or counterparts. Sustainalytics considers these reporting commitments to be aligned with the SLBP and SLLP.



Verification

Heimstaden Bostad commits to having an external verifier provide limited assurance on its progress on the SPT for the KPI at least once a year, which is aligned with the SLBP and SLLP on verification.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy's three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria (TSC)
 - The criteria in the one eligible category defined in the Framework were mapped to six activities of the EU Taxonomy and were assessed as aligned with the applicable TSC.
2. Do No Significant Harm (DNSH) Criteria
 - The criteria in the one eligible category were assessed as aligned with the 12 applicable DNSH criteria in the corresponding six EU Taxonomy activities.
3. Minimum Safeguards
 - Based on an assessment of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.
 - For Sustainalytics' assessment of alignment with the Minimum Safeguard, see Section 2 below

Table 3 provides an overview of the alignment of the criteria in the Framework with the TSC and DNSH criteria applicable for the corresponding activities in the EU Taxonomy:

¹⁷ Heimstaden Bostad has confirmed that the SPT baseline year for sustainability-linked instruments under the Framework will be set at 2020.

Table 3: Summary of Alignment of Framework Criteria with the EU Taxonomy

EU Taxonomy Activities Corresponding to Framework Criteria	Alignment with EU Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Construction of new buildings	■	■		■	-	■	■	■
Renovation of existing buildings	■	■		■	-	■	■	-
Installation, maintenance and repair of energy efficiency equipment	■	■		■	-	-	■	-
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	■	■		■	-	-	-	-
Installation, maintenance and repair of renewable energy technologies	■	■		■	-	-	-	-
Acquisition and ownership of buildings	■	■		■	-	-	-	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	☒
No applicable DNSH criteria for this Objective	-
Criterion does not map to an EU activity and has not been assessed	
Grey shading indicates the primary EU Environmental Objective	

Section 2: Assessment of Heimstaden Bostad’s Sustainability Strategy

Credibility of Heimstaden Bostad’s Sustainability Strategy

Heimstaden Bostad’s has integrated environmental, social and governance measures in its sustainability strategy and operations to improve its social, environmental and climate impact across the value chain. Heimstaden Bostad’s key sustainability priorities for 2022 included: i) introduction and integration of sustainable strategy in new markets; ii) implementation of climate roadmap including local plans for each country; iii) strengthening its environmental management systems; iv) performing climate risk and vulnerability assessments at property level; and v) further strengthening its sustainable supply chain processes.¹⁸

Heimstaden Bostad has developed a climate road map to support the EU’s 2050 climate neutrality target and the Paris Climate Agreement’s ambition to limit global warming to 1.5°C. In this roadmap, Heimstaden Bostad plans to invest at least SEK 7.7 billion¹⁹ (USD 738.5 million) to achieve its climate targets, which include: i) reducing absolute scope 1, 2 and 3 emissions by 42% by 2030 from a 2020 baseline;²⁰ ii) reducing an additional 7.9% of its scope 3 emissions through engagement with suppliers which provide 27% of their input to help them set their own science-based targets by 2027;²¹ iii) reducing energy purchased by 2% per square metre of its portfolio annually until 2025, with 2019 as a baseline; and iv) reducing water usage by at least 1% per square metre of its portfolio annually until 2030, with 2019 as a baseline. Heimstaden Bostad intends to implement the following measures to achieve these targets: shifting to less carbon-intensive fuel in its properties through pursuing local heating and energy production; installing heat pumps or electric boilers; switching to green electricity; improving insulation and ventilation; installing sensor-controlled LED lighting; installing and improving smart control of heating and electrical systems; using smart water meters; and encouraging tenants to reduce energy usage. Since 2021, Heimstaden Bostad has been implementing energy-efficiency

¹⁸ Heimstaden Bostad, “Strategy & Targets”, at: <https://corporate.heimstaden.com/sustainability/strategy-and-targets/default.aspx>

¹⁹ Shared with Sustainalytics confidentially.

²⁰ Shared with Sustainalytics confidentially.

²¹ Shared with Sustainalytics confidentially. Further emissions reduction in scope 3 emissions refers to reduction in emissions from downstream leased assets, category 13.

measures towards reducing emissions, including: i) installing intelligent control systems, using structural engineering measures to mitigate heat loss, making demands in connection with new construction and investing in photovoltaic cells; ii) certifying all new construction projects in Sweden with Sweden Green Building Council's Miljöbyggnad Silver and at least energy class A 2015 in Denmark; iii) implementing a sustainability programme with requirements for suppliers to reduce energy and resources usage; and iv) introducing a target to install photovoltaic cells on all new construction projects, where feasible.²²

Heimstaden Bostad's sustainability strategy further promotes investment in acquisitions and access to capital for climate-related projects focusing on climate change mitigation and adaptation measures, supply chain and ESG. The Company is committed to continuously monitoring and assessing climate impact from its current and future property portfolio and has established a local carbon emission pathway for each country where it operates. Heimstaden Bostad has also joined the UN Global Compact initiative for responsible business in 2019, a commitment that covers subsidiaries such as Heimstaden Bostad, and has joined various organizations and initiatives such as Sweden Green Building Council, BeBo - the Swedish Energy Agency's network for residential property owners committed to energy efficiency, LFM 2030 and the Rotterdam Climate Agreement.²³

Sustainalytics considers Heimstaden Bostad to have a strong sustainability strategy and considers that the instruments eventually issued or obtained under the Framework will further support Heimstaden Bostad to advance its sustainability strategy and meet its climate targets.

Heimstaden Bostad's Environmental and Social Risk Management

Sustainalytics recognizes that Heimstaden Bostad's defined targets are impactful but achieving the SPTs bears environmental and social risks related to land use and biodiversity issues related to large-scale infrastructure development, waste management, occupational health and safety and community relations.

Sustainalytics comments below on Heimstaden Bostad's ability to mitigate such potential risks.

- Heimstaden Bostad has developed ecosystem services and biodiversity management systems which provide guidelines for conducting in all of its construction activities: i) screening of the local surroundings, ii) identification of property-specific measures, such as improving resilience to extreme weather events or preserving existing ecosystems; iii) implementing and extending measures to restore biodiversity losses such as contributing to insect habitats or introducing pollinating plants; iv) reporting the ecosystem services measures. Additionally, the Company communicated that they primarily consider sites in use with relevant environmental clearance from the local authorities for construction of buildings.²⁴
- As a part of its sustainability program requirements, Heimstaden Bostad has established a code of conduct for business partners which mandates all its contractors, subcontractors and service providers to introduce a waste management system at its sites to manage waste.²⁵ Currently, the Company is in the process of implementing measures in Sweden which include introducing requirements for its contractors to adopt measures such as reduced packaging, recycled filling mass and recycling at least 70% of waste while reporting on its progress. The Company plans to adopt similar measures across its operations.^{26,27}
- Heimstaden Bostad performs monthly risk assessments and incident reporting to minimize occurrence of occupational health and safety risks in its operations.²⁸ Under its work, health and safety policy, the Company has established an occupational health and safety management system that provides a common platform for all its employees to report and follow up on reported incidents and actions taken to mitigate the risks. Heimstaden Bostad also undertakes year-round hazard identification, risk assessment and incident investigation to ensure compliance with work safety and risk prevention rules. The Company also conducts worker training to consult and communicate occupational health and safety issues.²⁹
- Regarding community engagement, engagement, Heimstaden Bostad conducts materiality assessments by engaging with its stakeholders and has a process to conduct local community engagement, impact assessments and community

²² Heimstaden Bostad, "Annual, Governance and Sustainability Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

²³ Ibid.

²⁴ Shared with Sustainalytics confidentially.

²⁵ Heimstaden Bostad, "Code of Conduct for Business Partners", at: https://s28.q4cdn.com/819094337/files/doc_downloads/sustainable_gov/Code-of-Conduct-Business-Partners.pdf

²⁶ Information related to 70% recycling shared by the issuer.

²⁷ Heimstaden Bostad, "Annual, Governance and Sustainability Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

²⁸ Heimstaden Bostad, "Work Health & Safety", at: <https://corporate.heimstaden.com/corporate-governance/Work-Health-Safety/>

²⁹ Heimstaden Bostad, "Annual, Governance and Sustainability Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

development programmes. The Company conducts customer surveys as a part of its stakeholder engagement plans and implements community development programmes based on consultation with local communities.³⁰ The Company has also established a whistleblowing function and policy which enables a system, operated by a third-party, to anonymously report irregularities in operations.³¹ The Company also tries to mitigate social risks associated with shortages in affordable housing and increased rents by investing in different price segments, in addition to performing an affordability assessment for every investment decision and providing social contracts or affordable housing where possible.³²

- Heimstaden Bostad has integrated climate-related risk management processes into its overall cross-disciplinary risk management process to identify, assess and manage climate-related risks and impact. The Company has committed to conduct a vulnerability analysis generate a property risk score for each property in its portfolio that has a high exposure to climate risks. These scores will guide the Company in prioritizing mitigating measures for properties with acute needs or very high risk levels in the coming five years.³³

In addition to above, Sustainalytics has found no major environmental and social controversies related to Heimstaden Bostad. Based on these policies and standards, Sustainalytics considers Heimstaden Bostad has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should comply with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human and Labour Rights

Heimstaden Bostad has implemented the following policies and procedures regarding human and labour rights:

- Heimstaden Bostad has a Human Rights Statement which creates a due diligence process as recommended by the OECD's Due Diligence Guidance for Responsible Business Conduct to avoid and address adverse impacts related to workers, human rights, consumer and corporate governance that may be associated with its operations, supply chains and other business relationships.³⁴
- Heimstaden Bostad's Business Partner Principles requires its contractors and sub-contractors to ensure compliance with human and labour rights.³⁵ The Company also has a Modern Slavery Act Statement which requires the identification of risks related to modern slavery in its supply chain and taking actions such as drawing up corrective action plans in consultation with its suppliers.³⁶
- In 2019, Heimstaden Bostad became a signatory to the UN Global Compact.³⁷ The Company also uses the UN's Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights to implement human rights due diligence internal initiatives and with business partners.^{38,39}

³⁰ Ibid.

³¹ Heimstaden Bostad, "Group Policy Whistleblowing", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/HST_policy_Whistleblowing.pdf

³² Heimstaden has defined social contracts as contracts with third parties such as local authorities or NGO's who in turn let the apartments to people with socio-economic challenges, such as newly arrived immigrants or people with disabilities. Further, the Company has mentioned that in case of affordable housing, the contracts will be signed directly with tenants, where the maximum rent level and the maximum income level of the tenant are regulated.

³³ Heimstaden Bostad has committed to conduct climate-related risk management process as part of the Framework.

³⁴ Heimstaden Bostad, "Human Rights Statement", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/12/Heimstaden-Bostad-Human-Rights-Statement.pdf

³⁵ Heimstaden Bostad, "Business Partner Principles", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/GovernanceDocuments/Business-Partner-Principles-2022.pdf

³⁶ Heimstaden Bostad, "Modern Slavery Act Statement", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/12/Heimstaden-Bostad-Modern-Slavery-Statement.pdf

³⁷ Heimstaden has confirmed that the commitment covers its subsidiaries such as Heimstaden Bostad

³⁸ Heimstaden Bostad, "Human Rights Statement", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/12/Heimstaden-Bostad-Human-Rights-Statement.pdf

³⁹ Heimstaden Bostad, "Annual Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

Heimstaden Bostad has implemented the following anti-bribery and anti-corruption policies and procedures:

- Heimstaden Bostad's code of conduct establishes zero-tolerance policy in relation to bribery and corruption. The code of conduct applies to all of its stakeholders, including employees, executives and contractors. The Company also educates employees through culture and value workshops and mandatory annual e-learning courses.^{40,41}
- The Company's Business Partner Principles policy requires suppliers to conduct good business practices and reinforces the Company's principle of zero tolerance to corruption, bribes, facilitation payments and hidden commissions. Heimstaden Bostad enforces the above requirements by conducting independent third-party audits of its suppliers.⁴²
- Heimstaden Bostad also has a whistleblowing policy that establishes a system for employees and external stakeholders to report perceived bribery and corruption irregularities to Company management. Any reported incidents are then taken on by the Company's Whistleblowing Committee.⁴³

Sustainalytics has not detected involvement in any relevant controversies which would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard against bribery and corruption in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of the UoPs and SPTs

Importance of green buildings in reducing GHG emissions for the real estate sector in Europe

The buildings sector is a major contributor of GHG emissions and the largest consumer of energy in the EU.⁴⁴ In 2020, buildings accounted for 40% of the EU's energy consumption and 36% of its CO₂ emissions.⁴⁵ The high energy consumption and emissions are largely due to the sector's reliance on fossil fuels and the production of electricity and heat for use in lighting, electrical devices and cooling and heating systems.⁴⁶ According to the European Commission, 75% of the EU's building stock is considered energy inefficient.⁴⁷

The European Commission has established a goal to reduce GHG emissions by 55% below 1990 levels by 2030 in its path to achieve climate neutrality by 2050.⁴⁸ To achieve these goals, the EU's Renovation Wave strategy of 2020⁴⁹ aims to renovate 35 million buildings by 2030 while prioritizing energy poverty, public structure renovation and decarbonization of heating and cooling systems.⁵⁰ Implementing the expected to reduce GHG emissions in the building stock by 60%, final energy consumption by 14%

⁴⁰ Heimstaden Bostad, "Code of Conduct", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/GovernanceDocuments/HSTB-Code-of-Conduct-BoD-approved-Oct-24_2022.pdf

⁴¹ Heimstaden Bostad, "Annual Report 2021", at: https://s28.q4cdn.com/819094337/files/doc_financials/2021/ar/Heimstaden-Annual-Report-2021.pdf

⁴² Heimstaden Bostad, "Business Partner Principles", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/GovernanceDocuments/Business-Partner-Principles-2022.pdf

⁴³ Heimstaden Bostad, "Group Policy Whistleblowing", at: https://s28.q4cdn.com/551253430/files/doc_downloads/2022/HST_policy_Whistleblowing.pdf

⁴⁴ European Commission, "In focus: Energy efficiency in buildings", (2020), at: https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en#:~:text=In%20its%20different%20forms%20%2D%20homes,the%20largest%20carbon%20dioxide%20emitters.

⁴⁵ European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019), at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

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 European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019)

⁴⁸ European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en

⁴⁹ European Commission, "Renovation Wave", at: https://ec.europa.eu/commission/presscorner/detail/en/FS_20_1844

⁵⁰ European Commission, "Renovation Wave"

and energy consumption for heating and cooling by 18% compared to 2015.⁵¹ In addition, the updated European Performance of Energy Buildings Directive requires all new buildings to be nearly zero-energy buildings since 2021 and all member states to establish long-term strategies with clear milestones for 2030 and 2040 to achieve a highly energy efficient and decarbonized building stock by 2050.⁵²

In this context, Sustainalytics is of the opinion that investments in the energy efficiency of buildings are expected to contribute to the decarbonization of the EU's building stock and help the EU in achieving its climate goals.

Alignment with/contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The Heimstaden Bostad Green and Sustainability-Linked Financing Framework is expected to contribute to advancing the following SDGs and targets:

KPI	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.
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impacts of cities, including by paying special attention to air quality and municipal and other waste management.
Absolute scope 1, 2 and 3 emissions from downstream leased assets (category 13)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
	11. Make cities and human settlements inclusive, safe, resilient and sustainable	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Conclusion

Heimstaden Bostad has developed the Heimstaden Bostad Green and Sustainability-Linked Financing Framework under which it may issue use of proceeds and sustainability-linked bonds and loans.

Under the green bonds and loans, proceeds may finance energy efficient buildings intended to reduce Heimstaden Bostad's GHG emissions. Sustainalytics considers that the projects eventually funded with proceeds from bonds and loans issued under the Framework are expected to provide positive environmental impact. The Heimstaden Bostad Green and Sustainability-Linked Financing Framework outlines a process for tracking, allocating and managing proceeds and makes commitments for Heimstaden Bostad to report on their allocation and impact.

Under the sustainability-linked instruments, Heimstaden Bostad intends to tie their coupon or interest rate to the achievement of the following SPT:

- (1) Reduce absolute scope 1, 2 and 3 GHG emissions from downstream leased assets (category 13) by 42% by 2030 from a 2020 baseline.

Sustainalytics has assessed the SPT to be highly ambitious given that: i) it presents a material improvement compared to past performance; and ii) aligns with a 1.5°C scenario. The SPT relates to one KPI - absolute scope 1, 2 and 3 emissions from downstream leased assets (category 13) – which Sustainalytics considers to be very strong given that: i) it speaks to material environmental issues directly related to the Company's environmental performance; ii) it has a high scope of applicability; iii) it follows a clear and consistent methodology; and iv) it supports benchmarking against external emission reduction trajectories. Sustainalytics considers the reporting and verification commitments to be aligned with market expectations.

⁵¹ European Commission, "Questions and Answers on the Renovation Wave", at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1836

⁵² European Commission, "Directive (EU) 2018/844 of the European Parliament and of the Council", (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG

Sustainalytics has assessed the Heimstaden Bostad Green and Sustainability-Linked Financing Framework for alignment with the EU Taxonomy, and is of the opinion that the criteria in the Framework's one use of proceeds category, which map to six EU Taxonomy activities, align with the applicable Technical Screening Criteria in the EU Taxonomy and with the applicable Do No Significant Harm Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Furthermore, Sustainalytics believes that the Heimstaden Bostad Green and Sustainability-Linked Financing Framework is aligned with the overall sustainability strategy of the Company and that Heimstaden Bostad has adequate measures to manage and mitigate environmental and social risks commonly associated with the activities and projects to be financed under the Framework.

Based on the above, Sustainalytics is confident that Heimstaden Bostad is well positioned to issue green use of proceeds bonds and loans, and sustainability-linked bonds and loans, and that the Heimstaden Bostad Green and Sustainability-Linked Financing Framework is in alignment with the Green Bond Principles 2021, Green Loan Principles 2021, Sustainability-Linked Bond Principles 2020, and Sustainability-Linked Loan Principles 2022.

Second-Party Opinion Heimstaden Bostad Green and Sustainability-Linked Financing Framework



Appendix 1 Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

3. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for the Framework is shown in Table 2 below.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU Environmental Objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include yet relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Green and Energy Efficient Buildings	Development or acquisition of new and existing buildings	7.1 Construction of new buildings	F41.1, F41.2, F43	Mitigation	Table 4
	Major renovations of existing buildings	7.2 Renovation of existing buildings	F41, F43		Table 5
	Energy efficiency measures	7.3 Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12		Table 6
		7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		Table 7
		7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		Table 8
	Development or acquisition of new and existing buildings	7.7 Acquisition and ownership of buildings	L68		Table 9

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the EU Taxonomy's TSC and DNSH criteria for the relevant EU Taxonomy activity.⁵³

Table 4

Framework activity assessed	Development or acquisition of new and existing buildings		
EU Taxonomy Activity	7.1. Construction of new buildings		
NACE Code	F41.1 and F41.2		
EU Taxonomy Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	<p>Constructions of new buildings for which:</p> <ol style="list-style-type: none"> The Primary Energy Demand (PED)⁵⁴, defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.⁵⁵ The energy performance is certified using an as built Energy Performance Certificate (EPC). For buildings larger than 5000 m²,⁵⁶ upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity,⁵⁷ and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. 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. 	<ol style="list-style-type: none"> In Sweden, Finland, Denmark, Germany and the Netherlands, the national building regulation has been used to determine the NZEB requirements. Through contract agreement with its developer, Heimstaden Bostad will ensure that the PED are at least 10% lower than the applicable requirements. Heimstaden Bostad has confirmed that the energy performance is certified using an as built Energy Performance Certificate (EPC) and/or Miljöbyggnad certificate.⁶⁰ All buildings larger than 5000m² will undergo testing for air-tightness and thermal integrity, as Heimstaden Bostad has procedures, both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability program) for this measure. Requirements are part of contract agreement with Heimstaden Bostad and developer. The Company has communicated that the template for contract agreements differs in countries and projects, deviations such as lack of testing is disclosed to investors and 	Aligned

⁵³ Sustainalytics' EU Taxonomy assessment was based on the financing eligible green assets based in Sweden, Denmark, Finland, the Netherlands, and Germany.

⁵⁴ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁵⁵ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.

⁵⁶ For residential buildings, the testing is made for a representative set of dwelling/apartment types.

⁵⁷ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurization method) or equivalent standards accepted by the respective building control body where the building is located.

⁶⁰ The Miljöbyggnad certificate assessment is based on energy per square metre, similar to the EPC. Miljöbyggnad, "Miljöbyggnad 3.1 - Sammanfattning av betygskriterier för ny byggnad", (2020), at: <https://www.sgbc.se/app/uploads/2020/04/Sammanfattning-betygskriterier-ny-byggnad.pdf>

	<p>3. For buildings larger than 5000 m²,⁵⁸ the life-cycle Global Warming Potential (GWP)⁵⁹ of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	<p>clients when requested and annually in Heimstaden Bostad’s EU Taxonomy Capex report.</p> <p>3. Heimstaden Bostad has procedures, both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability program) for this measure. Requirements are part of contract agreement with Heimstaden Bostad and developer. The Company has communicated that they use the environmental labelling system Miljöbyggnad which includes analysis of GWP. Miljöbyggnad criteria are followed up by the Company in the design and construction process, as well as two to three years after completion.⁶¹</p>	
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10		Aligned
Sustainable use and protection of water and marine resources	<p>Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to the Climate Delegated Act Annexure:</p> <ul style="list-style-type: none"> a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b) showers have a maximum water flow of 8 litres/min; c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. <p>To avoid impact from the construction site, the activity complies with the criteria set out in Appendix 3, Table 10.</p>	Heimstaden Bostad focusses on residential buildings and hence this criterion is not applicable.	N/A

⁵⁸ For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁵⁹ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years.

⁶¹ Heimstaden has shared copy of Miljöbyggnad standard internally with Sustainalytics’ assessment.

<p>Transition to a circular economy</p>	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.⁶² Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887⁶³ or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>Heimstaden Bostad has procedures, both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability program) for this measure. Requirements are part of contract agreement with Heimstaden Bostad and developer.</p> <p>Reuse and long-term material efficiency are promoted in the design and construction of the building. The use of recycled products is encouraged if there is no suspicion of contamination. Recycled products are exempt from the requirement for a building product declaration to facilitate reuse. Contractors must engage in dialogue with Heimstaden Bostad and come up with proposals for example, building products with recycled content, adaptable and flexible solutions or demountable building parts. In the project, as high a proportion of filling materials as possible must be reused or recycled. Backfilling with mass from excavation on site is counted as reused backfill.</p> <p>In Heimstaden Bostad’s new production, at least 70 % of non-hazardous waste on the construction site must be sorted at source for material recycling. The Company place this requirement on our contractors, who must report results in weight per waste fraction to Heimstaden Bostad every six months and at the end of the project. The Company has communicated that they use the environmental labelling system Miljöbyggnad which adheres to EU Taxonomy DNSH criteria: “At least 70% by weight of the non-hazardous construction and demolition waste (with the exception of naturally occurring materials referred to in category 17 05 04 of the European list of waste, drawn up according to decision 2000/532/EC) from the construction site is prepared for reuse, recycling or other material recycling, including backfill material where waste is used to replace other materials, in accordance with the waste hierarchy and the EU protocol for construction and demolition waste.” Miljöbyggnad criteria are followed up by the Company in the design and construction process, as well as two to three years after completion.⁶⁴</p>	<p>Aligned</p>
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⁶² EU Construction and Demolition Waste Protocol (version of [adoption date]: https://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_enhttps://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_en).

⁶³ ISO 20887:2020, Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance (version of [adoption date]: <https://www.iso.org/standard/69370.html><https://www.iso.org/standard/69370.html>).

⁶⁴ Heimstaden has shared copy of Miljöbyggnad standard internally with Sustainalytics’ assessment.

		As per the Company's requirement, the selected contractor must also work actively to reduce the amount of packaging that gives rise to waste on the construction site by e.g., order building materials without excess packaging and use of return systems. A pallet return system must be used in all projects.	
Pollution prevention and control	<p>Building components and materials used in the construction that may come into contact with occupiers⁶⁵ emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0.001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516⁶⁶ or ISO 16000-3:2011⁶⁷ or other equivalent standardized test conditions and determination methods.⁶⁸ Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400.⁶⁹</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>Heimstaden Bostad has confirmed that they abide by all the mentioned DNSH criteria. Also, the Company confirmed compliance with all the national regulatory requirements where Heimstaden Bostad assets are located including Regulation (EC) No 1907/2006. Also, the Company has procedures, both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability program) for this measure. Requirements are part of contract agreement with Heimstaden Bostad and developer.</p> <p>Additionally, the Company has communicated that they use the environmental labelling system Miljöbyggnad which adheres to EU Taxonomy DNSH criteria: "Measures are taken to reduce noise, dust and polluting emissions during construction or maintenance work." Miljöbyggnad criteria are followed up by the Company in the design and construction process, as well as two to three years after completion.⁷⁰</p>	Aligned
	Building components and materials used in the construction comply with the criteria set out in Appendix C to the Climate Delegated Act Annexure. Refer to the assessment set out in Appendix 3, Table 11		
Protection and restoration of biodiversity	The new construction is not built on one of the following:	Heimstaden Bostad acquires land where exploitation process ⁷⁵ has been carried out by other party (e.g., municipality). In the exploitation process the landowner are responsible for carrying out	Aligned

⁶⁵ Applying to paints and varnishes, ceiling tiles, floor coverings, including associated adhesives and sealants, internal insulation and interior surface treatments, such as those to treat damp and mould.

⁶⁶ CEN/TS 16516: 2013, Construction products - Assessment of release of dangerous substances - Determination of emissions into indoor air

⁶⁷ ISO 16000-3:2011, Indoor air – Part 3: Determination of formaldehyde and other carbonyl compounds in indoor air and test chamber air – Active sampling method (version of [adoption date]: <https://www.iso.org/standard/51812.html><https://www.iso.org/standard/51812.html>).

⁶⁸ The emissions thresholds for carcinogenic volatile organic compounds relate to a 28-day test period.

⁶⁹ ISO 18400 series on Soil quality – Sampling

⁷⁰ Heimstaden has shared copy of Miljöbyggnad standard internally with Sustainalytics' assessment.

⁷⁵ The Company has communicated to Sustainalytics that the exploitation process is initiated when the landowner, (often the municipalities) intends to develop infrastructure on an unbuilt land. The aim of this process to produce a development plan for the area, with criteria for social actors and real estate developers. The stages of this process include inquiry from municipality or other actor, land assessment, adoption of development plan followed by an exploitation agreement. The intention assessment phase includes several examinations, such as environmental impact assessment including any effects and measures needed in regards of biodiversity and ecosystem services, suitability assessment, management of land and water areas and public interests.

and ecosystems	a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey; ⁷¹	requirements a, b and c. Heimstaden Bostad has procedures both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability program) to follow the required measures in relation to biodiversity that has been identified.	
	b) greenfield land of recognized high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List ⁷² or the IUCN Red List; ⁷³		
	c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest. ⁷⁴	Requirements are part of contract agreement with Heimstaden Bostad and developer.	
The activity complies with the criteria set out in Appendix D to the Climate Delegated Act Annexure. Refer to the assessment set out in Appendix 3, Table 12			

Table 5

Framework activity assessed	Major renovations of existing buildings		
EU Taxonomy Activity	7.2 Renovation of existing buildings		
NACE Code	F41 and F43		
EU Taxonomy Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	The building renovation complies with the applicable requirements for major renovations. ⁷⁶ Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%. ⁷⁷	Heimstaden Bostad has confirmed that it will fulfil this criterion.	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10		Aligned

⁷¹ JRC ESDCA, LUCAS: Land Use and Coverage Area frame Survey version of [adoption date]:

<https://esdac.jrc.ec.europa.eu/projects/lucas><https://esdac.jrc.ec.europa.eu/projects/lucas>

⁷² IUCN, The IUCN European Red List of Threatened Species (version of [adoption date]: <https://www.iucn.org/regions/europe/our-work/biodiversity-conservation/european-red-list-threatenedspecies><https://www.iucn.org/regions/europe/our-work/biodiversity-conservation/european-red-list-threatenedspecies>).

⁷³ IUCN, The IUCN Red List of Threatened Species (version of [adoption date]: <https://www.iucnredlist.org><https://www.iucnredlist.org>).

⁷⁴ Land spanning more than 0,5 hectares with trees higher than five meters and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ. It does not include land that is predominantly under agricultural or urban land use, FAO Global Resources Assessment 2020. Terms and definitions.(version of [adoption date]: <http://www.fao.org/3/i8661en/i8661en.pdf><http://www.fao.org/3/i8661en/i8661en.pdf>).

⁷⁶ 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.

⁷⁷ The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method, and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years.

Sustainable use and protection of water and marine resources	<p>Where installed as part of the renovation works, except for renovation works in residential building units, the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to the Climate Delegated Act Annexure:</p> <ul style="list-style-type: none"> a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b) showers have a maximum water flow of 8 litres/min; c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. 	Heimstaden Bostad focusses on residential buildings and hence this criterion is not applicable.	N/A
Transition to a circular economy	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.⁷⁸ Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887⁷⁹ or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>Heimstaden Bostad confirmed that its buildings located in Germany, Sweden, Denmark, Finland and the Netherlands comply with the relevant EU legislative requirements such as the Waste Framework Directive. The buildings are located in Germany, Sweden, Finland Denmark and the Netherlands where there are regulations regarding non-hazardous construction and demolition waste prepared for reuse, recycling or other material recovery.</p> <p>Reuse and long-term material efficiency are promoted in the design and construction of the building. The use of recycled products is encouraged if there is no suspicion of contamination. Recycled products are exempt from the requirement for a building product declaration to facilitate reuse.</p> <p>Heimstaden Bostad confirmed that in major renovations, at least 70% of non-hazardous waste on the construction site must be sorted at source for material recycling. Heimstaden Bostad has established this requirement for all of its contractors, who must report results in weight per waste fraction to Heimstaden Bostad every six months at the end of the project.</p>	Aligned

⁷⁸ EU Construction and Demolition Waste Protocol (version of [adoption date]: https://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_enhttps://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_en).

⁷⁹ ISO 20887:2020, Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance (version of [adoption date]: <https://www.iso.org/standard/69370.html><https://www.iso.org/standard/69370.html>).

		Heimstaden Bostad has confirmed that selector contractors must also work actively to reduce the amount of packaging that gives rise to waste on the construction site by, for example, order building materials without excess packaging and use of return systems. A pallet return system must be used in all projects.	
Pollution prevention and control	<p>Building components and materials used in the building renovation that may come into contact with occupiers⁸⁰ emit less than 0.06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011⁸¹ or other equivalent standardised test conditions and determination methods.⁸²</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	Heimstaden Bostad has confirmed that they abide by all the mentioned DNSH criteria. Also, the Company confirmed compliance with all the national regulatory requirements where Heimstaden Bostad assets are located including Regulation (EC) No 1907/2006.	Aligned
	<p>Building components and materials used in the construction complies with the criteria set out in Appendix C to the Climate Delegated Act Annexure. Refer to the assessment set out in Appendix 3, Table 11</p>		

⁸⁰ Applying to paints and varnishes, ceiling tiles, floor coverings (including associated adhesives and sealants), internal insulation and interior surface treatments (such as to treat damp and mould).

⁸¹ ISO 16000-3:2011, Indoor air – Part 3: Determination of formaldehyde and other carbonyl compounds in indoor air and test chamber air – Active sampling method (version of [adoption date]: <https://www.iso.org/standard/51812.html><https://www.iso.org/standard/51812.html>).

⁸² The emissions thresholds for carcinogenic volatile organic compounds relate to a 28-day test period.

Table 6

Framework Activity assessed		Energy efficiency measures	
EU Taxonomy Activity		7.3. Installation, maintenance and repair of energy efficiency equipment	
NACE Code		F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	<p>The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation:</p> <ul style="list-style-type: none"> a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); b) replacement of existing windows with new energy efficient windows; c) replacement of existing external doors with new energy efficient doors; d) installation and replacement of energy efficient light sources; e) installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to the Climate Delegated Act Annexure and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market. 	<p>Heimstaden Bostad has confirmed that it intends to adhere to all the TSC measures mentioned for this activity. Further, the Company in collaboration with Sweco has developed country-specific checklists. In the case where there is no energy efficiency class label for an individual measure, the checklist refers to requirements in the national new build legislation (NZEB) or equivalent.</p>	Aligned
DNSH Criteria		Alignment with DNSH Criteria	

Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10		Aligned
Pollution prevention and control	In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and after the works, in accordance with national law.	Heimstaden Bostad has confirmed that all the asbestos surveying will be done according to the national law and the taxonomy-criteria. The Company has communicated that they engage experts and asbestos-trained contractors for remediation. Waste of asbestos-containing material from demolition or renovation are collected in tight packaging, sealed and deposited as environmentally hazardous waste at waste facility designed to receive asbestos waste. Additionally, the contractor responsible for deposition of asbestos waste receives a receipt which contains the weight of the amount deposited. These contractors are equipped with personal safety equipment fully in accordance with the legal requirements.	Aligned
	Building components and materials comply with the criteria set out in Appendix C to the Climate Delegated Annexure. Refer to the assessment set out in Appendix 3, Table 11		

Table 7

Framework Activity assessed	Energy efficiency measures		
EU Taxonomy Activity	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		
NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
EU Taxonomy Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	The activity consists in one of the following individual measures: <ul style="list-style-type: none"> a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control; b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity; d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation. 	Heimstaden Bostad has confirmed that it will fulfil this criterion	Aligned

DNSH Criteria		Alignment with DNSH Criteria
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10	Aligned

Table 8

Framework Activity assessed	Energy efficiency measures	
EU Taxonomy Activity	7.6 Installation, maintenance and repair of renewable energy technologies	
NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria
Mitigation	<p>The activity consists in one of the following individual measures, if installed on-site as technical building systems:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment; d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment; f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; g) installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant; h) installation, maintenance and repair of heat exchanger/recovery systems. 	<p>Heimstaden Bostad has confirmed that it will fulfil this criterion.</p> <p>Aligned</p>
DNSH Criteria		Alignment with DNSH Criteria
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10	Aligned

Table 9

Framework Activity assessed		Development or acquisition of new and existing buildings	
EU Taxonomy Activity		7.7 Acquisition and ownership of buildings	
NACE Code		L68	
EU Technical Screening Criteria		Alignment with Technical Screening Criteria	
Mitigation	<ol style="list-style-type: none"> 1) For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings 2) For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition. 3) Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.⁸³ 	<ol style="list-style-type: none"> 1) Heimstaden Bostad has confirmed that buildings will achieve an EPC class A for the Netherlands, Germany and Denmark. For Finland and Sweden, Heimstaden has confirmed that the building must be within the top 15% of the national or regional building stock based on PED.⁸⁴ Heimstaden Bostad has communicated to Sustainalytics that in the case where data on the top 15% of the national or regional building stock is unavailable, the EPC class A criteria will be applied. 2) Heimstaden Bostad has confirmed that it will fulfil this criterion. 3) Heimstaden Bostad focusses on residential buildings only hence, this criterion is not applicable. 	Aligned
DNSH Criteria		Alignment with DNSH Criteria	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 10		Aligned

⁸³ This can be demonstrated, for example, through the presence of an Energy Performance Contract or a building automation and control system in accordance with Article 14 (4) and Article 15 (4), of Directive 2010/31/EU.

⁸⁴ Heimstaden has communicated to Sustainalytics that the top 15% will be determined through a specialist study that replicates the methodology utilized by Rakli in Finland and Fastighetsägarna in Sweden. More details can be found at: <https://view.taiqa.com/rakli/selvitys-liittyen-eun-kestavan-rahoituksen-taksonomian-kriteeriin-77#/page=1> and <https://www.fastighetsagarna.se/globalassets/bilder/nyheter/sverige/topp-15-och-30-sverige-221214.pdf?bustCache=1671217429654>

Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 10

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	Alignment with DNSH Criteria	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.⁸⁵ The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. 	<p>Heimstaden Bostad has developed a methodology for conducting climate risk and vulnerability assessment (CRVA) in accordance with the EU Taxonomy and TCFD recommendations. To identify climate-related risks and opportunities, Heimstaden Bostad has used IPCC’s Risk Concentration Pathway of 8.5, which focuses on physical climate risks only, from a short-term (2040) and long-term (2100) perspective.</p> <p>Heimstaden Bostad assessed risk scenarios for the year 2050 which corresponds to the lifespan of the economic activity and the technical DNSH criteria, of 10 to 30 years.</p> <p>Sustainalytics notes that properties with high exposure to climate risks will undergo a vulnerability analysis. The climate exposure and degree of vulnerability are combined to result in a final property risk score. Heimstaden Bostad will then prioritize mitigation measures where an acute need arises or where the risk level is expected to be very high within the next five years. Heimstaden Bostad aims to integrate its CRVA into its organization in its country organizations and include the results in the continuous property maintenance plans. To ensure that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical risks of other people, of nature, of assets and of other economic activities, Heimstaden has communicated that it has established an Adaptation Measures Catalogue that provides guidance to users when selecting adaptation measures that fulfils the DNSH</p>	Aligned

⁸⁵ The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks. Chronic risks include: changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks include: heat and cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood and glacial lake outburst. For a complete list of climate-related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

	<p>requirements.⁸⁶ In addition, processes and routines for all planned and implemented property investments, including adaptation measures, where Heimstaden Bostad engages in continuous dialogue with national, regional and local actors to ensure consistency with sectoral, regional and/or national adaptation efforts, such as national law, directives or plans. Heimstaden has also communicated that investments and renovations in properties cannot commence without a building permit issued by the local municipality or region.⁸⁷</p>	
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Table 11

Criteria For DNSH To Pollution Prevention and Control Regarding Use and Presence of Chemicals		
DNSH Criteria	Alignment with DNSH Criteria	
<p>The activity does not lead to the manufacture, placing on the market or use of:</p> <ul style="list-style-type: none"> a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council,⁸⁸ except in the case of substances present as an unintentional trace contaminant; b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council;⁸⁹ c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council;⁹⁰ d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council,⁹¹ except where there is full compliance with Article 4(1) of that Directive; e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council,⁹² except where there is full compliance with the conditions specified in that Annex; 	<p>Heimstaden Bostad confirms that its buildings located in Germany, Sweden, Denmark, Finland and the Netherlands comply with relevant EU and national legislative requirements for hazardous chemicals and pollutants. The buildings are located in Germany, Sweden, Finland, Denmark and the Netherlands, where there are regulations about noise, dust and pollutant emissions during construction or maintenance work .</p> <p>Heimstaden Bostad abides by all national regulatory requirements where Heimstaden Bostad assets are located.</p> <p>Regulation (EU) 2019/1021 Regulation (EU) 2019/1021 on persistent organic pollutants. This EU regulation shall be transposed into national regulation where Heimstaden Bostad’s eligible assets are located</p>	<p>Aligned</p>

⁸⁶ Heimstaden Bostad has shared its Adaptation Measures Catalogue with Sustainalytics confidentially. The Catalogue describes measures at building and environmental level for medium to very-high risks (identified through the Gross Risk Score calculated by Sweco) for heat, flooding and drought. It provides an explanation of the measure, its effectiveness, the stakeholders involved, scale, interfaces, investment and maintenance costs and feasibility. Heimstaden Bostad notes that the information provided in the Catalogue is used as the input for the action plans for each of its complexes.

⁸⁷ Heimstaden Bostad has communicated to Sustainalytics that the approved building permit ensures that investments are consistent with sectoral, regional and national adaptation efforts (e.g. national law, directives or plans).

⁸⁸ Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants

⁸⁹ Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury, and repealing Regulation (EC) No 1102/2008

⁹⁰ Regulation (EC) No 1005/2009 of the European Parliament and of the Council of 16 September 2009 on substances that deplete the ozone layer

⁹¹ Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

⁹² Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC.

<p>f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society;</p> <p>g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society.</p>	<p>Regulation (EU) 2017/852 The objective of this Regulation is to ensure a high level of protection of human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds. This EU regulation shall be transposed into national regulation where Heimstaden Bostad's eligible assets are located.</p> <p>Directive 2011/65/EU This Directive sets out provisions on the restriction of the use of hazardous substances in electrical and electronic equipment. This EU regulation shall be transposed into national regulation where Heimstaden Bostad's eligible assets are located.</p> <p>Regulation (EC) 1907/2006 Concerns the registration, evaluation, authorisation and restriction of chemical substances This EU regulation shall be transposed into national regulation where Heimstaden Bostad's eligible assets are located</p> <p>Regulation (EC) No 1005/2009</p> <p>Further, Heimstaden Bostad has mentioned that for sub-criteria (a) to (i), it interprets that if the economic activity is performed in a jurisdiction where EU ROHS and REACH legislation is applicable, therefore the sub-criteria (a) to (i) can be regarded as automatically fulfilled unless if there are indications of legal non-compliance. Heimstaden Bostad has confirmed compliance to criteria (a) to (c)</p> <p>Regarding sub-criteria (f) – (g), the Company deem that there is regulatory uncertainty how the criteria should be applied and interprets that if it can be argued that the products used in relation to the economic activity are of "essential use for society", the sub-criteria (f) – (g) can be considered to be fulfilled. Since further guidance from EU is expected in relation to how to define the term "essential use for society", the definition of this term used until further guidance is provided by the EU will be: "use of a substance is necessary for health, safety or is critical for the functioning of society and that there are no alternatives that are acceptable from the standpoint of environment or health".</p>	
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	<p>Additionally, Heimstaden Bostad has clarified that the EU Taxonomy is yet to provide clear guidance regarding criteria (f) and (g), there are still no clear references in all respects to which substances are to be controlled and how these must be derived. Further there is a reference in the FAQs to work being carried out with reference to the Montreal Protocol for “essential use” and hence the Company has decided to plan and start a project work in the first quarter of 2023 to handle additional substances and possible alternatives according to points (f) and (g) mentioned in these criteria.</p>	
--	--	--

Table 12

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
DNSH Criteria	Alignment with DNSH Criteria	
<ul style="list-style-type: none"> • An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union,. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<p>Heimstaden Bostad has communicated to Sustainalytics that it has operation procedures, both in forward funding projects (investment due diligence and application) as well as own new developments (sustainability programme) that ensures the development carries out an EIA report based on the EIA screening performed by the competent authority (e.g. municipalities).</p> <p>Mitigation and compensation measures for protecting the environment will be carried out by developers as a part of the contract agreement with Heimstaden and the developer. Heimstaden Bostad has confirmed that its in accordance with Directive 2011/92/EU ecosystem services and biodiversity goal is in line with the EU taxonomy requirement.</p> <p>Heimstaden Bostad has communicated that it acquires land where exploitation process has been carried out by other bodies (e.g. municipalities). The Company has procedures in forward funding projects (investment due diligence and application) as well as own new developments (sustainability programme) to follow the required measures in relation to biodiversity that has been identified. Requirements are part of the contract agreement with Heimstaden Bostad and the developer.</p>	<p>Aligned</p>

Heimstaden Bostad has communicated to Sustainalytics that, where it is part of the development process from the start, it uses the environmental labelling system Miljöbyggnad. The system incorporates the EU Taxonomy criteria in accordance with Directive 2011/92/EU⁹³ as a requirement to obtain the label.

Though the Directive 2011/92/EU excludes national transposition in countries like Netherland and Sweden, Heimstaden Bostad has confirmed that it follows up on the directive's criteria during the design and construction phase of a project as well as two to three years after completion as it is required by the Miljöbyggnad standard.⁹⁴

⁹³ Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (codification) Text with EEA relevance – National Transposition, at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32011L0092><https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32011L0092>

⁹⁴ Heimstaden Bostad has shared copy of the Miljöbyggnad standard with Sustainalytics confidentially.

Second-Party Opinion
Heimstaden Bostad
Green and Sustainability-Linked
Financing Framework



Appendix 4: Green Bond / Green Bond Programme – External Review Form

Section 1. Basic Information

Issuer name:	Heimstaden Bostad AB
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Heimstaden Bostad Green and Sustainability - Linked Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 28, 2023

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 (<i>please specify</i>): | |

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.

3. USE OF PROCEEDS

Overall comment on section (if applicable):

Sustainalytics is of the opinion that the Heimstaden Bostad Green and Sustainability-Linked Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021 (the "Use of Proceeds Principles"). The eligible category for the use of proceeds – Green and Energy Efficiency Buildings – is aligned with those recognized by the Use of Proceeds Principles and will lead to positive environmental impacts.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input type="checkbox"/> Renewable energy | <input 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): Heimstaden has established a Green Finance Working Group (the "Working Group"), comprised of members from the Company's Group Treasury, Group Asset Management and Group Energy Management, will be responsible for the evaluation and selection of projects in accordance with the criteria defined in the Framework. The Green Finance Committee, comprising of the Chief Executive Officer, Chief Sustainability Officer and Head of Funding, will be responsible for the final approval of eligible projects. The Working Group will monitor internal processes to identify mitigants for material environmental and social risks associated with eligible projects portfolio. For additional details, refer to Section 2. Based on a well-defined project evaluation and selection process and the presence of an adequate risk management system, Sustainalytics considers this process to be in line with market 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 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 (please specify): |

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 (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable): The Working Group will be responsible for the management of proceeds. Heimstaden will track the allocation of net proceeds using an eligible green projects portfolio. The Working Group will be responsible for the management of proceeds. Heimstaden will track the allocation of net proceeds using an eligible green projects portfolio green register. The Company intends to allocate net proceeds at the time of issuance from the respective issuance date or within 36 months of the respective issuance date. Pending full allocation, net proceeds will be temporarily held in a liquidity reserve or any other treasury business and managed by the Company. Sustainalytics notes that any investments in entities with a business plan focused on fossil and nuclear energy generation, research and/or development within weapons or defence, environmentally negative resource extraction, gambling or tobacco will be excluded for such temporary holdings. Heimstaden Bostad has established a look-back period of up to three years for its refinancing of operating expenses associated with eligible projects. Based on a well-defined approach to manage proceeds, including disclosure of an allocation timeframe and temporary use of proceeds, Sustainalytics considers this process to be aligned 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 (please specify): |

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 |

- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

3. REPORTING

Overall comment on section (if applicable):

Heimstaden Bostad intends to report on the allocation and impact of proceeds in a report on its website annually until the maturity of the green finance instruments issued. Allocation reporting may include the outstanding amount of green financing instruments issued, presented per type of green financing instrument, the balance of eligible green projects in the eligible green projects portfolio (including any temporary investments and green financing instrument repayments), 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, location of the green eligible projects, at least at the country level and alignment of the eligible portfolio with the EU Taxonomy Climate Delegated Act. Impact reporting may include the following key performance indicators, and in some cases, on an aggregated basis: i) annual calculated energy use avoided compared to the relevant building code or pre-investment baseline (MWh), ii) annual GHG emissions reduced/avoided (in tCO₂e) and iii) installed renewable energy capacity (kWp) and annual renewable energy generation (kWh). Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line 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*): Summary of green finance instrument development; the outstanding amount of green finance instruments issued; presented per type of green finance instrument; the balance of eligible green projects in the green register (including any temporary investments and green finance instrument repayments)

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):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Other ESG indicators (please specify): Installed renewable energy capacity (kWp); annual renewable energy generation (kWh)

Frequency

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

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify): Standalone report(s) published on Issuer's website
- 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:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- 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.

Appendix 5: Sustainability-Linked Bonds – External Review Form

Section 1. Basic Information

Issuer name: Heimstaden Bostad AB

Sustainability-Linked Bond ISIN:

Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3): Sustainalytics

Completion date of second party opinion pre-issuance: February 28, 2023

Independent External Review provider's name for post-issuance verification (section 4):

Completion date of post issuance verification:

Original completion date of post issuance verification *[please fill this out for updates]*:

At the launch of the bond, the structure is:

a step-up structure

a variable redemption structure

Section 2. Pre-Issuance Review

2-1 SCOPE OF REVIEW

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

The review:

- | | |
|--|--|
| <input checked="" type="checkbox"/> assessed all the following elements (complete review) | <input type="checkbox"/> only some of them (partial review): |
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs) | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Verification | |
| <input checked="" type="checkbox"/> and confirmed their alignment with the SLBP. | |

2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |

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

2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Section 3. Detailed pre-issuance 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.

3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Overall comment on the section (if applicable):
 Sustainalytics overall considers the KPI absolute scope 1, 2 and 3 emissions from downstream leased assets (category 13) to be very strong given: i) it speaks to material environmental issues directly related the Company’s environmental performance, ii) has a high scope of applicability, iii) follows a clear and consistent methodology, and iv) supports benchmarking against external emission reduction trajectories.

List of selected KPIs:

- Absolute scope 1, 2 and 3 emissions from downstream leased assets (category 13)

Definition, Scope, and parameters

- | | |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify): | |

Relevance, robustness, and reliability of the selected KPIs

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer’s sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked |
| <input type="checkbox"/> Other (please specify): | |

3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

Overall comment on the section (if applicable):
 Sustainalytics considers the SPT to align with Heimstaden Bostad’s sustainability strategy and considers the SPT to be highly ambitious given that it presents a material improvement compared to past performance and aligns with a 1.5°C scenario.

Rationale and level of ambition

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer’s sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline |
| <input type="checkbox"/> Other (please specify): | |

Benchmarking approach

- | | |
|--|---|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure

- | | |
|--|---|
| <input type="checkbox"/> potential recalculations or adjustments description | <input type="checkbox"/> issuer's strategy to achieve description |
| <input type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (<i>please specify</i>): |

3-3 BOND CHARACTERISTICS

Overall comment on the section (*if applicable*):
 Heimstaden Bostad has disclosed that the financial characteristics of the bond(s) that will be issued under the Framework will be adjusted in case of a trigger event linked to: i) the non-achievement of the SPT on the target observation date, or ii) non-compliance with reporting and verification commitments as set out in the specific transaction documentation. The change in financial characteristics involves a redemption premium or increase in the coupon for bonds. Sustainalytics recognizes that the financial characteristics of the sustainability-linked bonds are aligned with the SLBP.

Financial impact:

- variation of the coupon
- ...
- Other (*please specify*):

Structural characteristic:

- ...
- ...
- Other (*please specify*):

3-4 REPORTING

Overall comment on the section (*if applicable*):
 Heimstaden Bostad commits to provide an annual report on its progress on the KPI, and when applicable, calculation methodology, potential baseline recalculation and relevant updates to its sustainability strategy. The report, which will be either stand-alone or incorporated into the Company's integrated annual report, will be published on Heimstaden Bostad's website. Sustainalytics considers these reporting commitments to be aligned with the SLBP.

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input type="checkbox"/> level of ambition of the SPTs | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Calculation methodology, potential baseline recalculation and updates to sustainability strategy. |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
|--|--------------------------------------|

Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify):
 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.

Level of Assurance on Reporting

- limited assurance reasonable assurance
 Other (*please specify*):

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

Section 4. Post-issuance verification

Overall comment on the section (*if applicable*):

Information reported:

- limited assurance reasonable assurance
 Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Material change:

- Perimeter KPI methodology
 SPTs calibration

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

About Sustainalytics, a Morningstar Company

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

Or contact us contact@sustainalytics.com

