

STENDÖRREN

*Premises that make a difference.*

**GREEN FINANCE FRAMEWORK May 2023**

**STENDÖRREN**



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# Introduction

## About Stendörren

Stendörren Fastigheter AB (publ) (“Stendörren” or the “Company”) is an expansive property company, listed on Nasdaq Stockholm Mid Cap. Stendörren manages, develops and acquires properties and building rights within *logistics, warehouse and light industry* in Nordic growth regions. When commercially viable Stendörren rezones such existing properties and thereby create *residential building rights* for further in-house development and management, mainly in Greater Stockholm and the rest of the Mälardalen region. Stendörren has 54 employees.

As of December 31, 2022, the property portfolio consisted of 148 properties, *primarily located in Greater Stockholm and the Mälardalen region* with a market value of SEK 12,418 million. *Warehouse, logistics and light industrial properties* accounted for approximately 68% of the total lettable area. Roughly 65% of total rental income consisted of rental income from properties in the *Stockholm region*. The Company had 28 properties, wholly or partly consisting of building rights, which mainly will be used for logistics, warehouse, light industrial and residential properties. The building rights portfolio had a market value of SEK 1,564 million.

## Stendörren’s ESG strategy

As part of Stendörren’s ESG efforts, an *ESG strategy* was first established in 2017 and later updated in 2022 with new focus areas and ESG targets with even higher ambitions. Stendörren works both on strategic and operational level to integrate ESG into its operations and has a strong focus on offering its users safe and energy efficient properties.

### ESG by numbers

- 96% renewable and recycled energy is used in the operations
- 42% reduced emissions between 2017 – 2022 (KgCO2e/sq m)
- 21% more energy-efficient premises between 2017- 2022 (Kwh/sq m)
- 42% of lettable area certified at year end 2022
- 39% women vs. 61% distribution of women and men at Stendörren



## Climate assessment & resource efficiency

Stendörren's mission is to develop tomorrow's premises, together with tenants and other stakeholders, by accounting for *efficient use of resources, energy-efficient premises and sustainable logistics solutions*. Further, Stendörren has started to assess the portfolio and document the Company's climate-related and transition risks and will launch its first *Task Force on Climate-Related Financial Disclosures* (TCFD) reporting in the report for 2023. The TCFD reporting helps Stendörren to better measure and monitor the risks in its property portfolio.

### Initiatives

- For *property energy*, which is the energy that Stendörren controls, consumption has declined year-on year. One reason is that Stendörren began to measure heating from heat pumps separately from direct electric heating
- Continued *dialogue* with tenants to reduce their *electricity consumption* where possible. The management holds monthly meetings to monitor consumption levels and can thereby act fast if consumption increases
- *Environmentally certify* existing properties and new developments - year end 2022, 42%] of the lettable area was certified
- *In-depth analysis* of the operations that account for most CO2 emissions, such as construction and civil engineering activities in new development projects. The analysis will provide a basis for Stendörren's ongoing efforts to reduce its emissions
- In 2022, Stendörren started to assess physical climate-related risks for the Swedish portfolio. The Norwegian and Danish portfolio will gradually be added. Transition risks was mapped using a tool and method called *Carbon Risk Real Estate Monitor (CRREM)*. That gives Stendörren an overview of the emissions arising from energy use in the properties in the operational stage. Stendörren will gradually be able to rank and plan measures for each property in the Company's operational and business plans
- During 2021-2022, Stendörren launched *green leases* to further strengthen relationships with tenants and to identify improvement potential in the property portfolio

### Targets

- By 2030, reduce energy intensity (kWh/sqm) by at least 20% from the baseline year 2020
- By 2025, 70% of the property portfolio in sqm to be environmentally certified
- New developments and major conversions shall be environmentally certified
- Enable increased recycling of tenants' waste and minimize construction waste from major new developments and refurbishments
- By 2030, have 100% fossil-free energy
- By 2030, net zero emissions in new development projects



## Social sustainability

Social responsibility reflects Stendörren's ambition to *promote sustainable community development*.

### Initiatives

- In 2021, Stendörren became a member of *Sustainable Stockholm 2030 (HS30)* - an industry organization for property and construction companies in Mälardalen, where ESG issues are discussed, and knowledge is shared between those with experience of work with social sustainability
- Stendörren will measure the number of *jobs created*, both internally and in the projects, it carries out

### Targets

- Create job opportunities for people outside the labour force



## Governance

Stendörren's *Sustainability committee* is responsible for *coordinating the Company's ESG practices*, based on the adopted *ESG strategy*. The Sustainability committee is represented by employees and managers from the organization's *various functions*. The Sustainability committee holds *monthly meetings* focusing on the progress made on ESG practices. Specific ESG related projects are managed in small teams and involve additional people from the organization. The committee was a driving force behind the following projects: *continuous employee satisfaction surveys, ESG related bank loans, certification of properties and green leases*.

### The Sustainability committee

- Management: *develops tools and processes for guidance*
- Department heads/managers: *responsible of implementing, training and monitoring*
- Employees: *contribute with ideas and follow the Company's ESG ambitions*

### ESG related policies include

- Environmental policy
- Code of Conduct
- Supplier Code of Conduct
- Purchasing policy
- Diversity and equal opportunity policy
- OHS (Operational Health and Safety) policy
- Employee handbook
- Manager manual

### Initiatives

- By end 2022, 12 of Stendörren's *largest suppliers* signed its Code of Conduct. The Code of Conduct has been introduced as an appendix when procuring major contracts to ensure that major partners share Stendörren's view of responsible business
- In 2021, a *whistleblower* system was added to the website

### Targets

- Large suppliers are to sign the Company's Code of Conduct
- By 2025, 100% fossil-free vehicles
- By 2025, aim to have a 40/60 gender distribution for senior positions
- Annual follow-up and feedback on equality and non-discrimination
- 100% of employees to have completed training in the Code of Conduct



## International standards and initiatives - ESG reporting

Stendörren is committed to transparent ESG reporting in accordance with selected international initiatives and standards.

**Global Reporting Initiative standards (GRI)** – since 2018 Stendörren reports in accordance with the *GRI*

**Task Force on Climate-Related Financial Disclosures (TCFD)** – Stendörren launched its first *Task Force on Climate-Related Financial Disclosures* (TCFD) reporting in 2024

**UN Sustainable Development Goals (SDGs)** – Stendörren supports the goals of the 2030 Agenda and has identified eight SDGs where Stendörren's business has a fundamental impact:



# The Green Finance Framework

## Stendörren's rationale for Green Financing

The real estate sector has a large impact on the environment. According to the National Board of Housing, Building and Planning's environmental indicators, it accounts for 34% of Sweden's energy use and 21% of domestic greenhouse gas (GHG) emissions<sup>1</sup>. The ongoing transition of the property sector requires large investments and increases opportunities for external financing. Stendörren is committed to continue investing in green and energy efficient buildings to further accelerate the Company's ESG efforts.



## Stendörren's Green Finance Framework

The establishment of this *Green Finance Framework* (the "Framework") has been developed in alignment with the *Green Bond Principles* from 2021 ("GBP")<sup>2</sup> and the *Green Loan Principles* ("GLP")<sup>3</sup> from 2023 and it thus follows the core components of the principles:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable for issuance of *green bonds* and other types of debt instruments such as *loans*, *revolving credit facilities*, *hybrid bonds* and *commercial papers* where the equivalent to the net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing projects with clear environmental benefits, as defined in this Framework (collectively referred to as "*Green Financing Instruments*" hereafter).

Swedbank has acted as advisor to Stendörren in the establishment of this Framework. Further, the Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the applicable principles.

<sup>1</sup> <https://www.boverket.se/sv/byggande/hallbart-byggande-och-forvaltning/miljoindikatorer---aktuell-status/>

<sup>2</sup> Green Bond Principles published in June 2021 (with June 2022 Appendix I) are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA)

<sup>3</sup> The Green Loan Principles are voluntary recommended guidelines, developed by an experienced working party consisting of representatives from leading financial institutions and law firms active in global loan markets



## Use of Proceeds

Green eligible projects (“*Green Eligible Projects*”) are both capital expenditures (CAPEX) (could either be reported directly in the income statement or capitalized on the balance sheet) and/or operational expenditures (OPEX). CAPEX does not have any requirement for look-back period, while OPEX does have a requirement of maximum three-year look-back period from the time of issuance. Green Eligible Projects aims to enable climate change mitigation as well as provides distinct environmental benefits and comply with criteria detailed in the table on the following page. The Company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Green Eligible Projects. Refinancing refers to Green Eligible Projects that have been finalized 12 months prior the reporting year.

### The value of Green Eligible Projects

The value of Green Eligible Projects under “Green buildings” is based on the following criteria; *new buildings* under construction correspond to the relevant amount invested up to date; *existing buildings* correspond to the market value of such assets reported in the balance sheet. The value of Green Eligible Projects under “Energy efficiency measures” correspond to the relevant invested amount.

### EU Taxonomy

Stendörren strives to align the Green Use of proceeds with the *EU Taxonomy* to the extent possible. The EU Taxonomy is a classification system with six environmental objectives. The Green Eligible Project categories have been mapped to the relevant *economic activities* and *environmental objective*; *Climate Change Mitigation*, which are presented in the table on the following page.



## Green Eligible Projects

(ICMA classification & EU Taxonomy activity)

### Sub-categories

EU environmental objective & SDGs

### Green buildings

Eligible EU Taxonomy activities: 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7

#### New buildings (built after 31 December 2020)<sup>4</sup>

Buildings that either have or will receive:

- Primary Energy Demand (PED) PED 10% lower than the threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations *or*
- EPC A *or* B, *or*
- Minimum certification of BREEAM Very Good, Nordic Swan Ecolabel, Miljöbyggnad Silver, GreenBuilding *or* LEED Gold
- For buildings larger than 5000 m<sup>2</sup>:
  - The building undergoes testing for air-tightness and thermal integrity, upon completion; *and*
  - The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle

#### Existing buildings (built before 31 December 2020)<sup>5</sup>

Buildings that either have or will receive:

- Minimum certification of BREEAM Very Good, BREEAM In-Use Very Good, Nordic Swan Ecolabel, Miljöbyggnad Silver, Miljöbyggnad iDrift Silver, GreenBuilding *or* LEED Gold, *or*
- EPC A *or* B, *or*
- Within top 15%<sup>6</sup> of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence

#### Major renovations

- Major renovations and re-construction leading to primary energy savings of at least 30% within maximum of three years and validated through an EPC upon completion of the renovation

#### Energy efficiency measures

- Direct costs such as installation of onsite solar panels, converting to LED lighting, heat pumps, improvements in ventilation systems, extension of district heating and cooling systems, installation of infrastructure for electric cars (electric charging points)

Climate change mitigation



<sup>4</sup> New buildings are defined as building built after 31 Dec 2020, in line with the current definition in the EU Taxonomy

<sup>5</sup> Existing buildings are defined as buildings built before 31 Dec 2020, in line with the current definition in the EU Taxonomy

<sup>6</sup> The report by Fastighetsägarna, CIT Energy Management dated 14 December 2022 will be used for determining top 15%

## Process for Project Evaluation and Selection

The evaluation and selection process for Green Eligible Projects is a key process in ensuring that the proceeds from Green Financing Instruments are allocated to projects and activities which meet the criteria in the Framework.

### Green Finance Committee

Stendörren has established a *Green Finance Committee* (“GFC”) that meets on a regular basis. Members of the GFC consist of the CEO, CFO and Head of Sustainability. All decisions are made in consensus, and that applies to the selection process of Green Eligible Projects as well. A list of Green Eligible Projects is kept by the Finance Department. Head of Sustainability is responsible for keeping this list up to date.

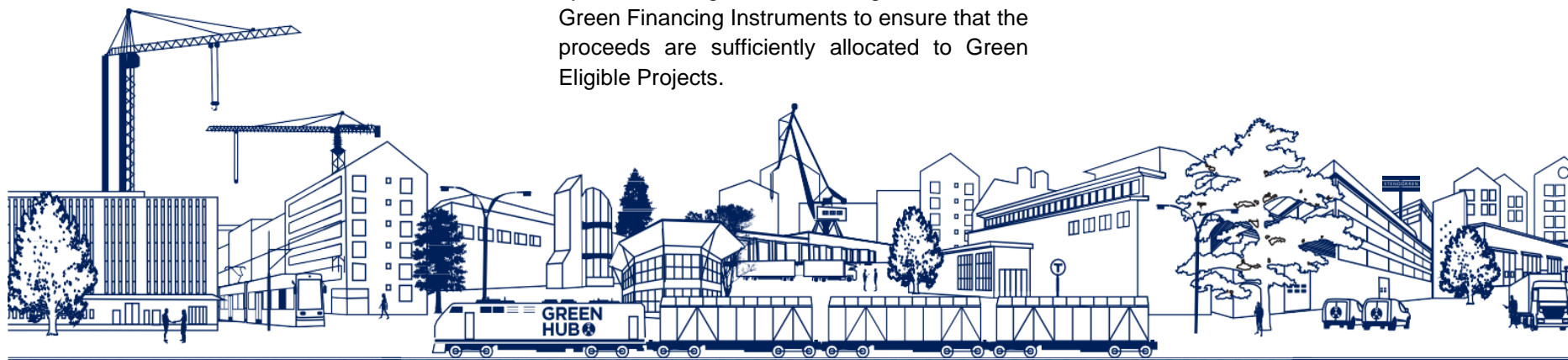
### Responsibilities of the GFC

The GFC is responsible for evaluating the compliance of the proposed Green Eligible Projects with the eligibility criteria outlined in the Use of Proceeds section. Ensuring that the pool of Green Eligible Projects are aligned with the categories and criteria, as specified in the Use of Proceeds section as well as replacing investments that no longer meet the eligibility criteria. The GFC will also approve the Green Finance Report. Further, the GFC will ensure that Green Eligible Projects adhere to applicable laws and regulations as well as Stendörren’s environmental policy. Further, the GFC will also monitor internal processes to identify environmental and/or social risks associated with the Green Eligible Projects.

The list of Eligible Green Projects is monitored by GFC on a regular basis during the term of the Green Financing Instruments to ensure that the proceeds are sufficiently allocated to Green Eligible Projects.

### Exclusions

The net proceeds of Stendörren’s Green Financing will not be used to finance *fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco*.



## Management of Proceeds

### Tracking of net proceeds

An amount equivalent to the net proceeds from Stendörren's Green Financing Instruments shall be used to finance or re-finance, in whole, or in part, a portfolio of Green Eligible Projects.

Net proceeds from Stendörren's Green Financing Instruments will be tracked by using a spreadsheet where all issued amounts of Green Financing Instruments will be inserted. The spreadsheet will also contain the list of Green Eligible Projects (see Section "Use of

Proceeds"). The information available in the spreadsheet (allocation & impact) will in turn serve as basis for regular reporting (see Section "Reporting") and will be verified by an external party (see Section "External review").

All Green Financing Instruments issued by Stendörren will be managed on a *portfolio level*. This means that a Green Financing Instrument will not be linked directly to any pre-determined Green Eligible Projects. The Company will keep track and ensure there are sufficient Green

Eligible Projects in the portfolio. Projects can, whenever needed, be removed or added to/from the Green Eligible Project portfolio.

### Temporary holdings

Any unallocated proceeds may temporarily be placed in the liquidity reserve or any other treasury business and managed accordingly by Stendörren. Should there be any unallocated proceeds, Stendörren strives to allocate them within one year.



## Reporting

To enable investors, lenders, and other stakeholders to follow the development of the Green Eligible Projects funded by Green Financing Instruments, a *Green Finance Report* will be made available on the Company's website. The Green Finance Report will include an *allocation report and an impact report* and will be published *annually* as long as there are Green Financing Instruments outstanding.

In the case Stendörren would have other Green Financing Instruments than bonds outstanding the Company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

### Allocation reporting

The allocation report may include the following information:

- Total amount of Green Financing Instruments issued
- Share of proceeds used for financing/re-financing as well as share of proceeds used for categories described in Section "Use of Proceeds"
- Share of unallocated proceeds (if any)
- Examples of the relevant Green Eligible Projects
- On a best effort basis, information on EU Taxonomy alignment (%) of the underlying Green Eligible Projects financed by Green bonds

### Impact reporting

The impact report aims to disclose the climate-related impact of the Green Eligible Projects financed under this Framework. Note that if all data cannot be collected, the impact assessment/calculations will be on a best effort basis. Stendörren intends to align, on a best effort basis, the reporting with the portfolio approach described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2022)". The impact assessment will include some of the following impact indicators:

- EPC A or B
- Type of certification including level, if any (e.g. BREEAM Very Good etc.)
- Information on the energy use in kWh/sqm/year
- Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)
- Amount of energy saved per sqm



## External review

### Second Opinion

To confirm the transparency and robustness of Stendörren's Green Finance Framework, it is verified and approved by an external *second opinion provider*. The second opinion by ICS is available on Stendörren's website; [www.stendorren.se](http://www.stendorren.se) together with this Framework.

### External verification

Allocation of proceeds will be subject to an annual review by an *independent party*. The verification report provided by the independent party will be published on Stendörren's website; [www.stendorren.se](http://www.stendorren.se)



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