

Green Finance Framework

September 2023



Contents

| | |
|---|----------|
| Introduction | 3 |
| About NP3 | 3 |
| NP3's ESG strategy | 3 |
| Governance | 6 |
| International standards and initiatives - ESG reporting | 7 |
| | |
| The Green Finance Framework | 8 |
| Use of Proceeds | 9 |
| Process for Project Evaluation and Selection | 11 |
| Management of Proceeds | 12 |
| Reporting | 13 |
| External Review | 13 |

Introduction

About NP3

NP3 Fastigheter ("the Company" or "NP3") is a Sweden-based real estate company founded in 2010. The Company focuses on commercial real estate properties with high yields in mainly northern Sweden. Its real estate portfolio properties include retail, industrial, logistics, office, and other categories. NP3 adds value to the property portfolio through acquisitions and divestments in order to create risk diversification for each segment both in terms of geographical location and good total return on the property portfolio. NP3's vision is to create Sweden's long term most profitable real estate company through strong business insight and satisfied tenants and investors. NP3 has 58 employees.

As of 31 December 2022, the market value of the property portfolio amounted to SEK 19,805 million. Rental value amounted to SEK 1,880 million. Industrial properties were the largest property category, accounting for 51% of rental value. Retail was the second largest property category with 23% of the rental value. The Company has around 2,400 rental agreements and 488 properties within its eight business areas Sundsvall, Gävle, Dalarna, Östersund, Umeå, Skellefteå, Luleå and Middle Sweden.

NP3's ESG strategy

NP3 works actively to increase the value of its properties and sustainability is a natural part of this. The Company therefore continuously implements *energy-saving* operational and maintenance measures in the property portfolio to reduce costs and limit *environmental impact*. Long-term value creation and sustainability are an integral part of NP3's daily operations and business strategy where the aim is to work with tenants to contribute to and enable *sustainable development* of both properties and tenants' activities.

ESG by numbers

- 14% reduced energy consumption in kWh/sqm between 2017-2022
- 79% reduced CO2 emissions in CO2e/sqm between 2017-2022

Environmental responsibility

For NP3, as for most other real estate companies, *energy use and emissions* are the areas where the Company can have *the greatest environmental impact*. An important aspect of this is having an *active property management organisation* and *cooperate with tenants* to also help them save energy. Environmental issues are integrated into day-to-day work and the operations must be *resource efficient*. This means, among other things, that NP3 always tries to choose products and services with minimal environmental impact.

The Company reduces its environmental impact by reducing *energy consumption in properties*, evaluating *alternative energy sources*, using *raw materials efficiently*, prioritising *recycling and reuse in construction projects*, and setting *environmental requirements* when procuring products and services.

Initiatives

- NP3 continuously invests in energy efficient heating and ventilation systems in its properties. For example, in 2022, NP3 installed new energy-efficient ventilation in one of its properties, with a total estimated energy saving of 30%.
- To reduce *CO2 emissions and phase out fossil fuels*, NP3 evaluates alternative energy sources. NP3 is gradually switching to 100% origin labelled electricity for the properties' energy consumption
- NP3 aims to consider *certification of all major redevelopments and new construction projects*. In 2022, NP3 environmentally certified 5 properties
- NP3 invests in *renewable energy* for its property portfolio. During 2022, two large solar PV systems were built in the Company's property portfolio. NP3 intends to start measuring self-produced energy during 2023
- In NP3's project activities, management of construction material and *waste* is governed by an environmental appendix in the tender documents that *prioritizes reuse and recycling*

- To increase the number of energy-saving and sustainable properties NP3 has a quarterly follow up *of energy certifications and energy targets in its Green Finance committee*

Targets

- Reduce total *energy intensity (kWh/sqm)* by 20% between 2017 and 2025
- By 2025, reduce total *CO2e emission intensity (CO2e/sqm)* by 75% compared to base year 2017. By 2022, NP3 had reduced the Company's CO2e emission intensity by roughly 79%, which means that the target was achieved in advance. NP3 will evaluate a *new long-term target* in 2023 and considers joining Science Based Targets initiative (SBTi)
- Annually increase the *portfolio value of green assets* by 25%
- *Environmentally consider certification of all major redevelopments and new construction projects*

Responsible business and Health & well-being

NP3's ambition is to ensure good *health and well-being* for its staff, suppliers and tenants.

Additional areas within sustainability

- *Governance & Responsible business* – for NP3, sustainability and long-term economic results go hand in hand. The Company has a responsibility towards its stakeholders to maintain good financial growth, high business ethics and to comply with laws and guidelines. The Company has a code of conduct both for its staff as well as suppliers. Maintaining good business acumen enables long-term economic results
- *Health and well-being* – providing pleasant and safe workplaces for our staff, tenants and suppliers is essential for NP3. It is important for the Company that everyone is treated equally regardless of gender and ethnicity. Our staff's health and the work environment are obvious areas in which the company encourages to exercise and pursue a healthy lifestyle
- *Customer satisfaction surveys* – in the latest survey, more than 85% of tenants were satisfied or very satisfied with NP3 as a landlord, and *more than 90% were satisfied with their premises*

Targets

- In 2023, a *work environment inspection* shall be carried out in all local offices
- In 2023, three of NP3's main contractors are to be *screened with regards to social criteria*

Governance

NP3's *sustainability policy* summarises the group's views on human rights, working conditions, business ethics and anticorruption, and environmental responsibility. Work on the properties' *environmental and climate risks* are governed by NP3's sustainability policy.

NP3 also has a *Code of conduct*, which provides guidance on how its employees *should act and take correct decisions in their daily work*. The Code of conduct is mandatory for all staff. There is also a *Code of conduct for suppliers* to ensure that suppliers' work conditions and business ethics meet NP3's requirements with regard to ethics, working conditions, work environment and sustainability. The *sustainability policy together with the Code of conduct form the basis for the Company's sustainability initiatives* and are revised annually by the Company's board.

Selected focus areas

- *Business ethics and anti-corruption*: Governed by the policy for business ethics and the sustainability policy and continuously discussed by the Board, management and staff meetings
- *Risk management*: NP3 has identified one significant risk, the *risk of physical climate change*
- *Risk of climate changes* – all investments and acquisitions are reviewed from a climate perspective to assess sensitivity to climate change. Procedures for operation and property management in extreme weather conditions have been further developed and in 2023 NP3 will map all of its risks in terms of likelihood, impact, priority and development. NP3 monitors and evaluates climate risks in the properties based on MSB's mapping of climate risks and SMHI's mapping of cloudburst investigations. Climate risks are analysed based on climate scenarios up to 2050
- *Risk of contaminated soil* – NP3 has good knowledge of the properties on which activities are or have been conducted requiring a license. The

Company always checks previous activities when acquiring properties. Environmental aspects are prioritised in all parts of the operations and NP3 follows the development with regard to legal regulations

- *Whistle-blower function*: NP3 has an external whistle-blower function

ESG-related policies found on NP3's homepage

- Sustainability policy
- Information and IR policy
- Insider policy
- Privacy Policy
- Equal Opportunity, Equal Treatment and Anti-Discrimination Policy
- SWEM – Systematic Work Environment Management
- Code of Conduct
- Whistle-Blower Procedure
- In addition to the above policies, several policies and operational procedures can be found on the Company's intranet

International standards and initiatives – ESG reporting

NP3 is committed to transparent ESG reporting in accordance with selected international initiatives and standards.

- **Global Reporting Initiative standards (GRI)** – since 2020 NP3 reports in accordance with the GRI
- **UN Global Compact** – NP3’s sustainability policy is based on the UN Global Compact
- **UN Sustainable Development Goals (SDGs) – reporting** – NP3 primarily contributes to the following SDGs:
 - *SDG 3 Good health and well-being*
 - *SDG 5 Gender equality*
 - *SDG 6 Clean water and sanitation*
 - *SDG 7 Affordable and clean energy*
 - *SDG 8 Decent work and economic growth*
 - *SDG 11 Sustainable cities and communities*
 - *SDG 12 Responsible consumption and production*
 - *SDG 15 Life on land*
 - *SDG 16 Peace, justice and strong institutions*



The Green Finance Framework

NP3'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) emissions¹. The ongoing transition of the property sector requires large investments and increases opportunities for external financing. Recognizing the importance of external green financing, NP3 has issued more than SEK 2.5 billion in green bonds since 2020, mainly to finance green and energy-efficient buildings. The goal is to increase the portfolio value of green assets by 25% per year.

NP3'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")² and the *Green Loan Principles* ("GLP")³ from 2023 and replaces the previous green bond framework published in 2020. It follows the four core components of the principles:

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

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 NP3 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.

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

² 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)

³ 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

An amount equivalent to the net proceeds from NP3's Green Financing Instruments shall be used to finance or re-finance, in whole, or in part, a portfolio of green eligible projects ("*Green Eligible Projects*"). Eligible projects are both capital expenditures/CAPEX (could either be reported directly in the income statement or capitalized on the balance sheet) and 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 provide 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.

EU Taxonomy

NP3 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 |
|---|--|--|
| <p>Green buildings Eligible EU Taxonomy activities: 7.1, 7.2, 7.7</p> | <p><u>New buildings (built after 31 December 2020)</u> Buildings that either have or will receive:</p> <ul style="list-style-type: none"> • Primary Energy Demand (PED) 10% lower than the threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations, <i>or</i> • EPC A or B, <i>or</i> • Minimum certification of GreenBuilding, <i>Miljöbyggnad Silver</i>, <i>or</i> • Minimum certification of LEED Gold and with an energy consumption of at least 25% below national building requirements⁴ (Swedish BBR) or other equivalent certification standards in terms of energy use, and • For buildings larger than 5000 m²: <ul style="list-style-type: none"> • The building undergoes testing for air-tightness and thermal integrity, upon completion; <i>and</i> • The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle <p><u>Existing buildings (built before 31 December 2020)</u> Buildings that either have or will receive:</p> <ul style="list-style-type: none"> • EPC A or within top 15%⁵ of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence, <i>or</i> • Minimum certification of GreenBuilding, <i>Miljöbyggnad Silver</i>, <i>or</i> • Minimum certification of LEED Gold or <i>Miljöbyggnad iDrift Silver</i> and with an energy consumption of at least 25% below national building requirements⁶ (Swedish BBR) or other equivalent certification standard in terms of energy use, <i>or</i> • Improvement in EPC label by minimum 2 levels (i.e., to minimum EPC C) as verified by a new EPC label <p><u>Major renovations</u></p> <ul style="list-style-type: none"> • Major renovations and re-construction leading to primary energy savings of at least 30% | <p>Climate change mitigation</p>  |
| <p>Energy efficiency Eligible EU Taxonomy activities: 7.3, 7.4, 7.5, 7.6</p> | <p><u>Energy efficiency measures</u></p> <ul style="list-style-type: none"> • 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) | <p>Climate change mitigation</p>  |

⁴BBR applicable at the time of construction

⁵ The report by Fastighetsägarna, CIT Energy Management dated 14 December 2022 will be used for determining top 15%

⁶BBR applicable at the time of construction

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

NP3 has established a *Green Finance Committee* ("GFC") that meets on a regular basis. Members of the GFC consist of the COO, who is also responsible for the sustainability work in the Company, CFO and Group Controller. 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 who 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 is 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 NP3's sustainability 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 Eligible Green Projects.

Exclusions

The net proceeds of NP3's Green Financing will not be used to finance *fossil fuel energy generation, nuclear energy generation, the weapons industries, potentially environmentally negative resource extraction, gambling, or tobacco*.

Management of Proceeds

Tracking of net proceeds

Net proceeds from NP3'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 NP3 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 temporary be placed in the liquidity reserve or any other treasury business and managed accordingly by NP3. Should there be any unallocated proceeds, NP3 strives to allocate them within one year.

Reporting

To enable investors, lenders, and other stakeholders to follow the development of the 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 NP3 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 will 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 instruments

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. NP3 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. GreenBuilding)
- Information on average energy use or primary energy demand (if available)
- Estimated annual greenhouse gas emissions reduced or avoided per sqm (CO₂e kg/sqm)
- Amount of energy saved per sqm (kWh/sqm)

External review

Second Opinion

To confirm the transparency and robustness of NP3's Green Finance Framework, it is verified and approved by an external *second opinion provider*. The second opinion by CICERO is available on NP3's website; www.np3fastigheter.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 NP3's website; www.np3fastigheter.se

