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NP3 Fastigheter AB
Green Finance Second Opinion

1st September 2023

SHADES OF GREEN

CICERO Medium Green

GOVERNANCE ASSESSMENT

GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found to be aligned with the principles.

Executive Summary

NP3 Fastigheter AB ("NP3") is a Sweden-based real estate company founded in 2010. The company focuses on commercial real estate properties in mainly northern Sweden. Its real estate portfolio properties include retail, industrial, logistics, office, and other categories. The company had a total lettable area of 1,950,000 m^2 at the end of 2022, where industrial properties were the largest property category, representing 51% of rental value with remaining buildings in the commercial and logistics sector. Industrial tenants are different types of light industry which uses small machinery, no tenants are within the fossil fuel production or refining.

Most proceeds under the framework, which is an update from 2020, will refinance existing green buildings. Eligible expenditures include both capex and opex (look-back of three years), while the type of debt instrument include both bonds, loans, revolving credit facilities, hybrid bonds and commercial papers. The update is to the criteria in the green buildings category, the only category in the current framework, which has been harmonised with relevant mitigation criteria in the EU Taxonomy. The energy efficiency category in the previous framework is now included under the green buildings category which also includes some projects within renewable energy and EV charging infrastructure.

We rate the framework **CICERO Medium Green** and give it a governance score of **Good.** While the Green building category is shaded Light to Medium Green, most proceeds are expected to go to the Medium Green elements within that category, namely existing buildings with an EPC A or within the top 15% of similar building stock, while considering NP3's robust procedures for reducing energy consumption and the approach to physical climate risk. The framework's energy efficiency eligibility criteria are quite heterogeneous, and the criteria for new construction, which is expected to be a very limited part of financing, are considered Light Green due to the absence of clear considerations on embodied emissions. The company has performed a climate risk assessment and identified that no particular buildings are deemed exposed to high risk but will continue this work by identifying relevant measures to mitigate possible impacts of a changing climate on its buildings.

Strengths

The timely decarbonisation of the real estate sector requires vastly accelerated investment in energy efficiency measures. NP3's framework demonstrates a focus on reducing energy consumption and already has demonstrable experience in conducting projects with energy efficiency improvements – they can point to various examples where they have successfully improved energy efficiency by between 20% to 50%. NP3's energy target is to reduce total energy intensity by 20% between 2017 and 2025. Between 2017 and 2022 the average energy intensity (kWh/m^2) was reduced by 14%. NP3 also strives to incentivise its tenants to reduce their own energy consumption by (1) imposing a "cold rental agreement", which requires tenants to pay their own electricity and heating bills, and (2) by supporting tenants in implementing energy efficiency measures and environmentally-friendly heating sources. The company has a target to reduce energy consumption by 20% by 2025 and also reduce total CO_2e emission intensity by 75% compared to base year 2017. NP3 will evaluate a new long-term target in 2023 and considers joining Science Based Targets initiative (SBTi) since the the emission target was fulfilled by 2022.

Pitfalls

The eligibility criteria for existing buildings do not guarantee that all financed buildings are highly energy efficient buildings. For instance, the framework allows for buildings with EPC C, which is only in line with current regulations, while older buildings which have an energy performance that is 25% better than BBR at the time of construction, could have poorer energy performance than the current regulation. This implies that all financed buildings will not be within what has been identified as the top 15% of the national building stock in Sweden, where the threshold for Primary Energy Demand varies from building type to building type. Nevertheless, the issuer has indicated that most financing for existing buildings will go towards buildings with an EPC A or within the top 15%.

We also consider it a pitfall that the criteria for energy efficiency projects are not quantified. For a darker shading, efficiency measures should be combined with a minimum efficiency improvement threshold.

In new construction, NP3 does not have policies in place to reduce embodied emissions from building materials. For new construction, the construction phase of buildings heavily influences total emissions and environmental impact. To some extent, environmental certifications cover such considerations, but the framework also includes new construction where the only eligibility criteria relates to energy performance. The issuer's sustainability reporting lacks scope 3 emissions from new construction.

There might be inconsistency between the method used for estimating own (scope 2) emissions and the method used for estimating impacts of green financing. NP3 reports greenhouse gas emissions according to GRI standards, using a market-based approach for scope 2 emissions. This approach has a relatively low grid factor. Simultaneously, NP3's impact reporting will be based on the Nordic Position Paper on Green Bond Impact Reporting which operates with a usually higher grid factor.

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Company description

NP3 Fastigheter AB ("NP3") is a Sweden-based real estate company founded in 2010. The company focuses on commercial real estate properties in mainly northern Sweden. Its real estate portfolio properties include retail, industrial, logistics, office, and other categories. The company had a total lettable area of 1,956,000 m^2 at the end of 2022, and the market value of the property portfolio amounted to SEK 19,805 million. Rental value from 488 properties and 2,400 rental agreements amounted to SEK 1,880 million. The majority of the buildings are more than 30 years old. 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. Industrial tenants are primarily light industry which uses small machinery, with the three largest ones being Assemblin (technical services), LEAX Falun (propeller shafts for vehicles) and Svenska Kramfabrikken (beauty products). The company has 58 employees and eight business areas: Sundsvall, Gävle, Dalarna, Östersund, Umeå, Skellefteå, Luleå and Middle Sweden.

The current green finance framework replaces a previous green bond framework published in 2020. The update is to the criteria in the Green buildings category, which has been harmonised with relevant mitigation criteria in the EU Taxonomy. Also, the Energy efficiency category is now included under the Green buildings category, which also contain some Clean transportation criteria.

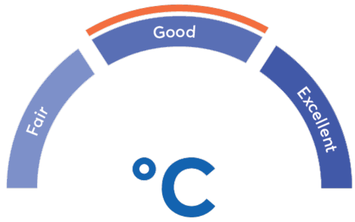
The total market value/green loan space under the previous framework was 3,413 million SEK at the end of 2022, and the distribution of green assets based on property value was (with number of assets or projects in parenthesis): Certified properties – 16% (17); Energy class A properties – 21% (25); Energy class B properties – 61% (56); and Energy projects (saving >30%) – 2% (2).

Governance assessment

NP3 reports on its energy use and greenhouse gas emissions according to GRI standards and has quantitative targets in place. Thus, NP3 aims to reduce total energy intensity by 20% between 2017 and 2025. Also, by 2025, total CO_2e emission intensity should be reduced by 75% compared to the base year 2017. At the end of 2022, NP3 had reduced the company's carbon dioxide emissions by just under 79% compared to the base year 2017, which means that the company's long-term goal for 2025 was achieved in 2022. NP3 will evaluate a new long-term target in 2023 concerning emissions and at the same time consider linking this to Science Based Targets (SBTi). Project selection decisions are consensus-based, and the issuer has stated that the Green Finance Committee has environmental competence through the COO who has long experience within sustainability issues. The selection process and allocation of proceeds is externally reviewed on an annual basis.

NP3 demonstrates an awareness of environmental concerns, especially as related to the real estate sector, and has a sustainability policy in place which aligns with the UN Global Compact. Suppliers, contractors and subcontractors are required to comply with both the UN SDGs and their sustainability policy. Assessments for waste and material sourcing are conducted, although the extent to which these are carried out is variable. NP3 has specified that it will take measures to avoid potential rebound effects and lock-in effects by conducting assessments before any project is initiated.

NP3 is well aware of the risk of climate change. Thus, all investments and acquisitions are reviewed from a climate perspective to assess sensitivity to climate change based on relevant scenario analysis. Impact reporting includes multiple relevant performance indicators, but the impact reporting is not externally reviewed. The overall assessment of NP3's governance structure and processes gives it a rating of **Good.**



Sector risk exposure

Physical climate risks. For the Nordic building sector, the most severe physical impacts will likely be increased flooding, snow loads and urban overflow, as well as increased storms and extreme weather. Developing projects with climate resilience in mind is critical for this sector. The real estate sector is also exposed to climate risks through links to the construction industry and the utilities sector.

Transition risks. NP3 is exposed to transition risks from stricter climate policies e.g., mandatory efficiency upgrades. The company is also exposed to liability risks due to e.g., legal challenges if preventable damages from climate change increases. In addition, the real estate sector is exposed to changing consumer preference for more climate smart and energy efficient buildings.

Environmental risks. The construction sector is at risk of polluting the local environment during the erection of the properties, e.g., from poor waste handling. There are also risks related to impacts on local biodiversity/habitats as well as the use of un-sustainably sourced material like tropical wood.

Environmental strategies and policies

NP3's sustainability policy is based on the UN Global Compact and NP3 has reported on energy and emissions in according with to the Global Reporting Initiative standards (GRI) since 2020. Greenhouse gas emissions (Scope 1, 2 and 3) are dominated by emissions from heat and electricity, but Scope 3 emissions only cover business travel.

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 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. For instance, NP3 consider clean transport accessibility, charging infrastructure, and responsible materials sourcing in its investments.

NP3 has climate related targets and achievements as follows:

- Reduce total energy intensity by 20% between 2017 and 2025. Between 2017 and 2022 the average energy intensity (kWh/m^2) was reduced by 14% and was 67 kWh/m^2 in 2022. The reduction followed investments in heat pumps, LED lightning and a generally stronger focus on energy use.

- By 2025, reduce total CO_2e emission intensity by 75% compared to base year 2017. NP3 will evaluate a new long-term target in 2023 and considers joining Science Based Targets initiative (SBTi) since the the target was fulfilled by 2022.
    - By 2022, NP3 had reduced the company's CO_2e emission intensity (CO_2e/m^2) by roughly 79% to 2.7 $kgCO_2e/m^2$, partly through the purchase of renewable energy certificates, as scope 2 emissions are reported using only the market-based methodology.
- Annually increase the portfolio value of green assets by 25%.
- Consider environmental certification of all major redevelopments and new construction projects[1]. In 2022 NP3 certified 5 properties for a total of 12 certified properties.

NP3 continuously invests in energy efficient heating and ventilation systems in its properties and 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.

Examples of initiatives are:
- In 2022, NP3 installed new energy-efficient ventilation in one of its properties, with a total estimated energy saving of 30%.
- To reduce CO_2 emissions and phase out fossil fuels, NP3 evaluates alternative energy sources and is gradually switching to 100% origin labelled electricity for the properties' energy consumption.
- Also, 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.

NP3 is well aware of the risk of climate changes. Thus, 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[2] mapping of climate risks and SMHI's mapping of cloudburst investigations. Future climate risks are analysed based on climate scenarios up to 2050.

Green finance framework

Based on this review, this framework is found to be aligned with the Green Bond Principles (2021)[3] and Green Loan Principles (2023)[4]. For details on the issuer's framework, please refer to the green finance framework dated September 2023.

Use of proceeds

For a description of the framework's use of proceeds criteria, and an assessment of the categories' environmental impacts and risks, please refer to section 2.

[1] NP3 informs us that certain industrial buildings are unsuitable for environmental certifications.
[2] MSB = Myndigheten för samhällsskydd och beredskap (Swedish Civil Contingencies Agency).
[3] 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).
[4] 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.

Selection

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 with long experience within sustainability issues, 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.

The GFC is responsible for evaluating the compliance of the proposed green eligible projects with the eligibility criteria outlined in table 1 below as well as replacing investments that no longer meet the eligibility criteria. The potential for controversial projects is taken into consideration during the building permit process which is approved by local authorities. 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. According to NP3, they are in the process of conducting a climate scenario analysis of the entire property portfolio.

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.

Management of 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. The information available in the spreadsheet (allocation & impact) will in turn serve as basis for regular reporting and the allocation report will be verified by an external party.

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. NP3 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. Any unallocated proceeds may temporary be placed in the liquidity reserve or any other treasury business and managed accordingly by NP3. According to NP3, unallocated proceeds cannot be used to invest in fossil fuel related assets. Should there be any unallocated proceeds, NP3 strives to allocate them within one year.

Reporting

NP3 has reported annually under the green bond framework from 2020. The reporting has been on a portfolio basis and the allocation reporting has been independently verified.

Under the updated green financial frameworkNP3 will continue to publish a Green Finance Report annually that will be made available on the NP3's website (www.np3fastigheter.se). The CFO with support from the GFC will be responsible for the reporting. The first report is expected in April 2024. 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 will be on a portfolio-basis and will not be linked to individual bonds. 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 table 1
- 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.

The impact report aims to disclose the climate-related impact of the green eligible projects financed under the 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 square meter (CO_2e kg/m^2)
- Amount of energy saved per square meter (kWh/m^2)

The methodology used is based on the Nordic Position Paper on Green Bond Impact Reporting[5] and will be disclosed in this reporting, as well as in the annual report. Grid emissions factors will be determined according to the Nordic energy mix for electricity purchases, and through certificates of origin for electricity purchases. We note that these grid factors are usually higher than the local grid factors which are close to zero. For heating, the relevant grid emissions factors from local district heating companies will be used.

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. Impact reporting will not be independently verified.

[5] https://www.kuntarahoitus.fi/app/uploads/sites/2/2020/02/NPSI_Position_paper_2020_final.pdf

2 Assessment of NP3's green finance framework

The eligible projects under NP3's green finance framework are shaded based on their environmental impacts and risks, based on the "Shades of Green" methodology.

Shading of eligible projects under NP3's green finance framework

- The total market value/green loan space under the previous 2020 framework was 3,413 million SEK by year end 2022, and the distribution of green assets based on property value was (with number of assets or projects in parenthesis): Certified properties – 16% (17); Energy class A properties – 21% (25); Energy class B properties – 61% (56); and Energy projects (saving >30%) – 2% (2).
- The current 2023 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 the table below. The majority of green financing will be for refinancing of existing buildings. Refinancing refers to green eligible projects that have been finalized 12 months prior the reporting year.
- 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.
- 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.

Category	Eligible project types	Green Shading and considerations
Green buildings	**New buildings (built after 31 December 2020)** Buildings that either have or will receive: • Primary Energy Demand (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 GreenBuilding, Miljöbyggnad Silver, or	**Light to Medium Green** ✓ The interval of shades reflects that the project category contains assets of varying environmental ambitions. For instance, allowing for existing buildings not in line with current regulations is a Light Green element, as do the criteria for new construction. The criteria for existing buildings also include Medium Green elements, namely buildings with an EPC A as well as some of the buildings that are within the top 15% of the national building stock. ✓ The construction and real estate sector have a major environmental impact, through building materials for new construction and operational emission (energy use) for

- Minimum certification of LEED Gold and with an energy consumption of at least 25% below national building requirements (Swedish BBR) or other equivalent certification standards in terms of energy use, and
- For buildings larger than 5000 m²:
    - 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)
Buildings that either have or will receive:

- EPC A or within top 15%[6] of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence, or
- Minimum certification of GreenBuilding, Miljöbyggnad Silver, or
- Minimum certification of LEED Gold or Miljöbyggnad iDrift Silver and with an energy consumption of at least 25% below national building requirements (Swedish BBR)[7] or other equivalent certification standard in terms of energy use, or
- Improvement in EPC label by minimum 2 levels (i.e., to minimum EPC C) as verified by a new EPC label.

Major renovations

- Major renovations and re-construction leading to primary energy savings of at least 30%.

the existing building stock. The long time horizon of assets makes low carbon solutions particularly important. NP3 is in the early stages of addressing embodied emissions and no policies are yet in place. The issuer has limited activities within new construction and has informed us that it is working on getting a better understanding of the current situation.

✓ NP3 has informed us that buildings heated by fossil fuels will not qualify for financing. District heating may have a limited part of fossil fuels during certain period of the winter. NP3 has no direct energy source powered by fossil fuels, but has indicated that in some cases, industrial buildings may hold manufacturing and storage of fossil-fuel based vehicles.

✓ The issuer expect that the majority of the green financing will be for existing buildings. The criteria for eligibility of existing buildings are quite heterogeneous and may allow buildings with quite poor energy profile to be eligible. The issuer informs us that they expect EPC A or within top 15% of the national building stock to be the criteria most utilised for existing buildings. Existing buildings with an EPC of A or B will likely represent highly energy efficient buildings, representing a decrease in PED compared with the regulation of the time of issuance of the EPC with between 50% or 25%.

✓ We consider a report from Fastighetsägarna to provide adequate evidence for the energy efficiency of the top 15% of the national building stock. Whether a building meets the top 15% PED threshold will depend, among other, on its energy source, where different sources are weighed differently in the calculation of its PED. The weighting favours district heating over electricity, meaning that, all else equal, it will be easier for a building connected to district heating to meet the threshold for top 15% than for a building with electric heating.

[6] The report by Fastighetsägarna, CIT Energy Management dated 14 December 2022 will be used for determining top 15%. See: https://www.fastighetsagarna.se/globalassets/bilder/nyheter/sverige/topp-15-och-30-sverige-_221214.pdf?bustCache=1671217429654
[7] BBR at the time of construction.

		✓ We note that the GreenBuilding certification scheme is to be discontinued[8]. NP3 states that it will be replaced with relevant EPC and/or other certification in line with the framework. ✓ The intention is to finance the entire value of the existing building, also for buildings which have seen an improvement in EPC label by minimum two levels, where it is positive that a minimum EPC C is required. The issuer has confirmed that only recent EPC labels will be used to identify such eligible assets. ✓ Certain important factors such as accessibility to clean transportation, climate risk and resilience, and building materials, may not be sufficiently included under these eligibility criteria. Extreme weather events (precipitation, heat, wind) are important climate risk factors. NP3 has taken a proactive approach to assessing these risks and informs us that they will finish this work during 2023 before taking adaptive actions. ✓ From a climate perspective, it is better to renovate existing buildings rather than build new ones, and it is positive that refurbishments with a 30% reduction of energy consumption are included in the framework.
Energy efficiency	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).	**Medium Green** ✓ The energy efficiency criteria are not quantified. For a darker shading, efficiency measures should be combined with a minimum efficiency improvement threshold and followed up with auditing. ✓ Potential rebound and lock-in effects may arise from efficiency improvements. ✓ Renewable energy is a key part of the low carbon future, and NP3's installation of onsite solar panels is welcome. The sourcing of raw materials needed in such installations are associated with high environmental and social risks, that need to be managed. ✓ Electric charging stations may be used by plug-in-hybrid vehicles, thus involving some fossil fuel elements.

Table 1. Eligible project categories

[8] See: https://www.sgbc.se/certifiering/greenbuilding/

3 Terms and methodology

This note provides CICERO Shades of Green's second opinion of the client's framework dated September 2023**.** This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Shades of Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

'Shades of Green' methodology

CICERO Shades of Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

Shading	Examples
Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.	Solar power plants
Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	Energy efficient buildings
Light Green is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	Hybrid road vehicles

The "Shades of Green" methodology considers the strengths, weaknesses and pitfalls of the project categories and their criteria. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised, including potential macro-level impacts of investment projects.

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Shades of Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Assessment of alignment with Green Bond Principles

CICERO Shades of Green assesses alignment with the International Capital Markets' Association's (ICMA) Green Bond Principles. We review whether the framework is in line with the four core components of the GBP (use of proceeds, selection, management of proceeds and reporting). We assess whether project categories have clear environmental benefits with defined eligibility criteria. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed. The selection process is a key governance factor to consider in CICERO Shads of Green's assessment. CICERO Shades of Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Shades of Green places on the selection process. CICERO Shades of Green assesses whether net proceeds or an equivalent amount are tracked by the issuer in an appropriate manner and provides transparency on the intended types of temporary placement for unallocated proceeds. Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	Green Finance Framework_NP3_Draft_230615_track changes	NP3's Green finance framework dated September 2023
2	NP3 - Annual report 2022	NP3's Annual report 2022
3	Annual report 2021	NP3's Annual report 2021
4	Årsrapport grön finansiering 2022	NP3's report on green financing 2022
5	Årsrapport grön finansiering_2021	NP3's report on green financing 2021
6	Rapport-gron-finansiering-2020	NP3's report on green financing 2020
7	Hållbarhetspolicy_0	NP3's Sustainability policy
8	Uppforandekod	NP3's Code of Conduct
9	Visselblåsarrutin	NP3's Whistle-blower routine

Appendix 2:
About CICERO Shades of Green

CICERO Shades of Green, now a part of S&P Global, provides independent, research-based second party opinions (SPOs) of green financing frameworks as well as climate risk and impact reporting reviews of companies. At the heart of all our SPOs is the multi-award-winning Shades of Green methodology, which assigns shadings to investments and activities to reflect the extent to which they contribute to the transition to a low carbon and climate resilient future.

CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Shades of Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions

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- **2021 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2020 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2020 Largest External Review Provider In Number Of Deals,** Climate Bonds Initiative Awards
- **2019 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2019 Largest Green Bond SPO Provider,** Climate Bonds Initiative Awards
- **2018 External Assessment Provider Of The Year,** Environmental Finance Green Bond Awards
- **2018 Largest External Reviewer,** Climate Bonds Initiative Awards
- **2017 Best External Assessment Provider,** Environmental Finance Green Bond Awards
- **2016 Most Second Opinions,** Climate Bonds Initiative Awards