

23

Green Finance Framework
K2A Knaust & Andersson Fastigheter AB (publ)



Table of contents

<u>K2A at a glance</u>	3
K2A's ESG approach	3
E- Environmental responsibility	3
S - Social responsibility	4
G - Governance & reporting	4
The United Nations Sustainable Development Goals	5
ESG targets	5
EU Taxonomy	6
<u>The Green Finance Framework</u>	7
Update of the Green Finance Framework	7
Use of proceeds	7
Process for asset evaluation & selection	9
Management of proceeds	9
Reporting	10
External review	10

K2A at a glance

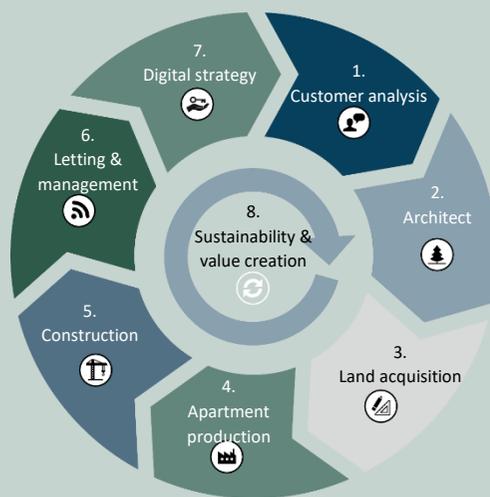
K2A Knaust & Andersson Fastigheter AB (“K2A” or the “Company”) was founded in 2013 and is a real estate company focusing on *long-term management of new-built rental apartments*, produced in the Company’s own factories, for all types of housing. As of Q3 2022, the property portfolio includes *student housing* (44%), *rental buildings* (54%) and *community service buildings* (2%), such as elderly care centres, schools, etc. The Company is currently operating in 26 locations in Sweden, from Kiruna in the north to Lund in the south. The business is concentrated to Stockholm, Mälardalen and a number of selected university cities located in other parts of Sweden, where demand for rental apartments is high.

Business concept & model

K2A’s main target group is *smaller households*, with 1-2 people, a type of household that constitutes the largest market in Sweden. By offering smaller but well-planned housing with favourable rents in attractive locations, K2A contributes to an inclusive housing market. K2A is involved in the entire value chain, from analysis of the housing market to efficient management of sustainable apartments.

K2A’s real estate portfolio

K2A’s real estate portfolio mainly consists of *housing built from year 2015 to present*. In addition, some older buildings have undergone or are undergoing energy saving renovations. As of Q3 2022, the property and project portfolio comprises 9,872 apartments, including 4,885 managed apartments, with a total *property value* of SEK 10,228 million. The aim is to be a significant market participant and a strong partner in the development of attractive, vibrant and sustainable communities.



K2A’s ESG approach

E- Environmental responsibility

K2A certifies the majority of its buildings according to *Nordic Swan Ecolabel*, *Miljöbyggnad iDrift* and *Passive house*. The goal is that all buildings will be certified and undergo a climate risk assessment. K2A has completed a *climate risk inventory* of all buildings, analysing physical climate change risks and recommended remediation actions. The work constitutes the largest individual effort in environmental certification and climate risk inventory ever carried out in Sweden.



By managing its construction process in a sustainable way and using environmentally friendly raw materials, K2A has been able to decrease its environmental footprint remarkably. Through its subsidiary K2A Trähus, K2A produces apartment units in its own factories in Valdemarsvik and Gävle. The apartments are mostly built in locally produced *Swedish wood*, a renewable material that makes it possible to produce the apartments in a resource- and energy-efficient industrial process with lower climate impact compared to conventional house production. This method has made K2A the first manufacturer of prefabricated wooden apartment units that has been licensed to build according to the *Nordic Swan Ecolabel* (Sw. “*Svanenmärkt*”). All new construction of buildings from 2018 and onwards have been certified according to the *Nordic Swan Ecolabel* or equivalent.

K2A uses *green electricity* and, if available, *green district heating* for heating of management objects. In new production, K2A invests in energy-efficient solutions such as *solar cells* and *geothermal heat*, which are highly contributing measures to reduce the consumption of mainly heating and electricity. Energy-efficient solutions are thus found in both new and older buildings. For example, K2A has installed *solar panels* on all new own-produced buildings and is adding solar panels on existing buildings, where applicable. Examples of other smart sustainable solutions initiated by K2A is the electric carpool (“*BoBil*”), which is exclusive to the Company’s customers in Umeå, Örebro, Haninge, Västerås, Gävle and Lund. During 2022, K2A also launched the electric cargo bike-pool, “*BoBike*”.



S - Social responsibility

K2A is committed to be a part of the development of local communities in which the Company operates. For example, K2A engages in collaborations with local organisations such as Nya Kompisbyrån that offers activities with newly arrived immigrants where K2A engages the Company's customers into the activities. These types of collaborations can contribute to integration and development of social networks for both the customers and newly arrived immigrants, which is important both for the individual and society.



G – Governance & reporting

K2A is a property owner who takes responsibility for the impacts of its own operations and contributes to a sustainable development of society. The Company's efforts to limit and reduce the environmental impact of its business are based, among other things, on the principles of the *UN Global Compact* and are manifested in a guiding *Sustainability Policy* and a *Code of Conduct* that includes both employees and suppliers. K2A's CEO is ultimately responsible for the sustainability work. K2A's Board of Directors annually reviews the overall Sustainability Policy, strategy and sustainability goals, as well as risk analysis, including climate-related

risks and opportunities. In addition, K2A's board has set up a special *Sustainability Committee*.

The Sustainability Committee is responsible for designing and following up K2A's sustainability goals. The work and tasks of the Sustainability Committee are regulated by the committee's rules of procedure, which are adopted by the Board of Directors. The Chief Sustainability Officer assists the Sustainability Committee and is responsible for implementing sustainability goals in the organization as well as implementing measures and reporting on sustainability work. Chief Sustainability Officer reports directly to the CEO.

The management team is responsible for following up the outcome of the sustainability goals, including climate-related goals, risks and opportunities. Sustainability work is reported at monthly meetings and outcomes of sustainability work are reported four times a year.

In 2021, K2A updated its scenario analysis on climate related risks and opportunities according to the *Task Force on Climate-related Financial Disclosures* ("TCFD"). K2A also reports according to the *Global Reporting Initiative* ("GRI") standards, *Greenhouse Gas Protocol* ("GHG protocol") and the *EU Taxonomy*.

In addition, K2A was the *first company in the world with Green equity* and won an award for the *best sustainability report* following a review of all companies listed on Nasdaq OMX Stockholm's Mid Cap list. In August 2022, K2A was certified as a *Nasdaq ESG Transparency Partner*, which is Nasdaq's accreditation specifically for companies that demonstrate a commitment to market transparency and raising environmental standards. K2A has also received validated targets by the *Science Based Targets initiative* ("SBTi") for the most ambitious scenario of 1.5°C.



The United Nations Sustainable Development Goals

K2A has done a sustainability assessment of its entire operations based on the *UN Sustainable Development Goals* (“SDGs”). The results shows that K2A is strongest in goals related to:



ESG targets

K2A’s environmental goal is for the entire value chain to be *climate positive as early as 2027*, i.e. K2A will reduce more greenhouse gases than the Company’s activities generate. K2A’s target is to be the most sustainable real estate company. All new construction and investment properties shall be environmentally certified and undergo a climate risk assessment. K2A’s customers shall further experience a higher level of housing satisfaction than the average renter in Sweden. K2A’s pathway towards climate positive value chain in 2027 includes the following activities:

- Continue to use wood as primary building material
- Continue to work with energy efficient production processes
- Optimize the energy efficiency in existing buildings
- Further investments in renewable energy
- Fossil-free transportation solutions throughout the value chain
- Work strategically with circularity in K2A’s buildings
- Collaborate with key players to accelerate the pace of change in the industry



EU Taxonomy

Substantial contribution to environmental objectives

K2A has evaluated its activities substantial contribution to environmental objectives. The Company's assessment suggests that its activities contribute to the environmental objective: *climate change mitigation*.

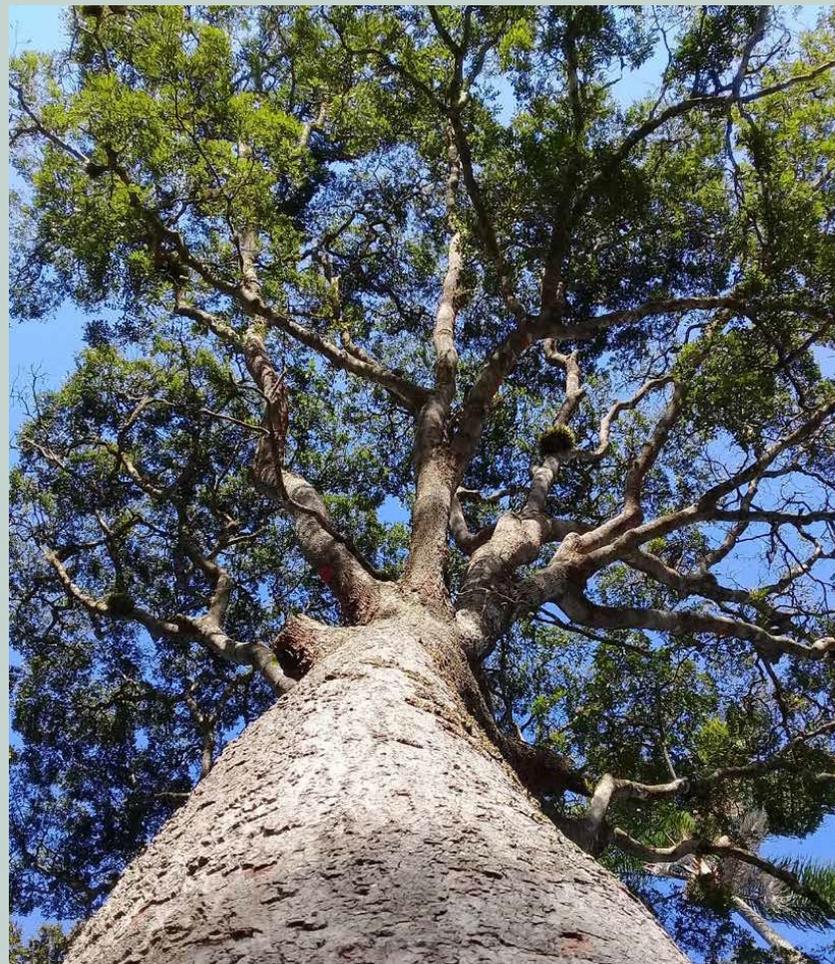
Technical screening criteria, do no significant harm ("DNSH") & minimum social safeguards

To comply with the EU Taxonomy's technical screening criteria, *new buildings* (built after 31 Dec 2020) need to have a primary energy demand ("PED") that is 10% lower than the threshold set for Nearly Zero-Energy Buildings ("NZEB") according to national building regulations (Sw. BBR).

Existing buildings or acquisitions of buildings (built before 31 Dec 2020) need to have at least Energy Performance Certificate ("EPC") A, or, as an alternative, be within top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence to comply with the EU Taxonomy's technical screening criteria. The criteria for top 15% in Sweden was published in December 2021.

Energy saving renovations for existing buildings that result in buildings lowering their PED with 30% or more are also to be classified as sustainable within the EU Taxonomy. Further, *activities related to energy efficiency*, including installation of solar panels, heat pumps, extension of district heating and cooling, are also Taxonomy eligible.

K2A has Green equity which is confirmed by Cicero Shades of Green making annual Company/Green equity Assessments. The latter mentioned includes evaluation of K2A's EU Taxonomy alignment of the entire building portfolio and how it aligns with definitions on technical screening criteria, DNSH and minimum social safeguards available in the EU Taxonomy. Please see latest available Company Assessment for further details on the Company's website.



The Green Finance Framework

Update of the Green Finance Framework

In August 2020 K2A established a Green Finance Framework (The “Framework”) focused on green and energy efficient buildings. The Framework has now been updated to reflect best market practice as well as K2A’s green profile. The Framework has been developed in alignment with the *Green Bond Principles 2021* (“GBP”)¹ and *Green Loan Principles 2021* (“GLP”)². The Framework is applicable for issuance of green debt instruments such as *green bonds*, *green hybrids*, *green commercial papers*, *green loans* and other types of debt instruments 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 and assets with clear environmental benefits, as defined in this Framework (collectively referred to as “Green Financing Instruments” hereafter).

Swedbank has acted as advisor to K2A 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 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)

Use of Proceeds

An amount equivalent to the net proceeds from K2A’s Green Financing Instruments shall be used to finance or re-finance, eligible projects providing distinct environmental benefits (“*Green Eligible Assets*”) 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 Assets.

The value of Green Eligible Assets

The value of assets 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 fair value reported in the balance sheet at the cut-off date for annual reporting; *major renovations* correspond to the relevant invested amount. The value of assets under the category “Energy efficiency” correspond to the relevant invested amount.



² Green Loan Principles published in February 2021 are voluntary process guidelines for issuing green loans established by Loan Markets association (“LMA”)

Green Eligible Assets categories	Sub-categories	Related SDGs	EU Taxonomy environmental objectives
<p>Green buildings</p> 	<p>New buildings (buildings built after 31 Dec 2020)³</p> <ul style="list-style-type: none"> i. Buildings that either have or will receive minimum certification of Nordic Swan Ecolabel or Miljöbyggnad Silver or Passive house, or ii. Wooden buildings⁴ with Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations, or iii. Buildings that either have or will receive EPC of class A or B <p>Existing buildings (buildings built before 31 Dec 2020)⁵</p> <ul style="list-style-type: none"> i. Buildings that either have or will receive minimum certification of Nordic Swan Ecolabel, Miljöbyggnad Silver, Miljöbyggnad iDrift Silver in combination with EPC C or better or Passive house, or ii. EPC A or within top 15%⁶ of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence, or <p>Major renovations</p> <ul style="list-style-type: none"> i. Major renovations and re-construction leading to primary energy savings of at least 30% 	<p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>Climate change mitigation</p>
<p>Energy efficiency</p> 	<p>Energy retrofits such as installation of solar panels, heat pumps, converting to LED lighting, improvements in ventilation systems, extension of district heating and cooling systems.</p>	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>Climate change mitigation</p>

³ New buildings are defined as buildings built after 31 Dec 2020, in line with the current definition in the EU. “Built” refers to the date for the building permit application.

⁴ According to CICERO Shades of Green, a large number of LCA studies imply that in general, wood-frame buildings tend to result in lower primary energy and GHG emission compared to non-wood alternatives including concrete and steel.

⁵ Existing buildings are defined as buildings built before 31 Dec 2020, in line with the current definition in the EU. “Built” refers to the date for the building permit application.

⁶ Thresholds are defined in the report “Analys av primärenergital för de 15 % bästa byggnaderna” (Fastighetsägarna, CIT Energy Management): <https://www.fastighetsagarna.se/globalassets/dokument/pdf/nyheter/analys-av-primarenergital-for-de-15-procent-basta-byggnaderna.pdf?bustCache=1669386083759>

Process for asset evaluation and selection

Selection of Green Eligible Assets

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

The selection of Green Eligible Assets is managed by a dedicated group, the *Green Finance Committee* (“GFC”). Members of the GFC consist of CEO, CFO and Chief Sustainability Officer. All decisions are made in consensus, and that applies to the selection process of Green Eligible Assets as well. A list of Green Eligible Assets is kept by the Finance Department and the Chief Sustainability Officer is responsible for keeping this list up to date.

Further responsibilities of the GFC

The Framework will be updated from time to time to reflect current market practices and potential updates to the GBP, if and when the GFC deems it necessary.

The list of Eligible Green Assets 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 Assets.

Exclusions

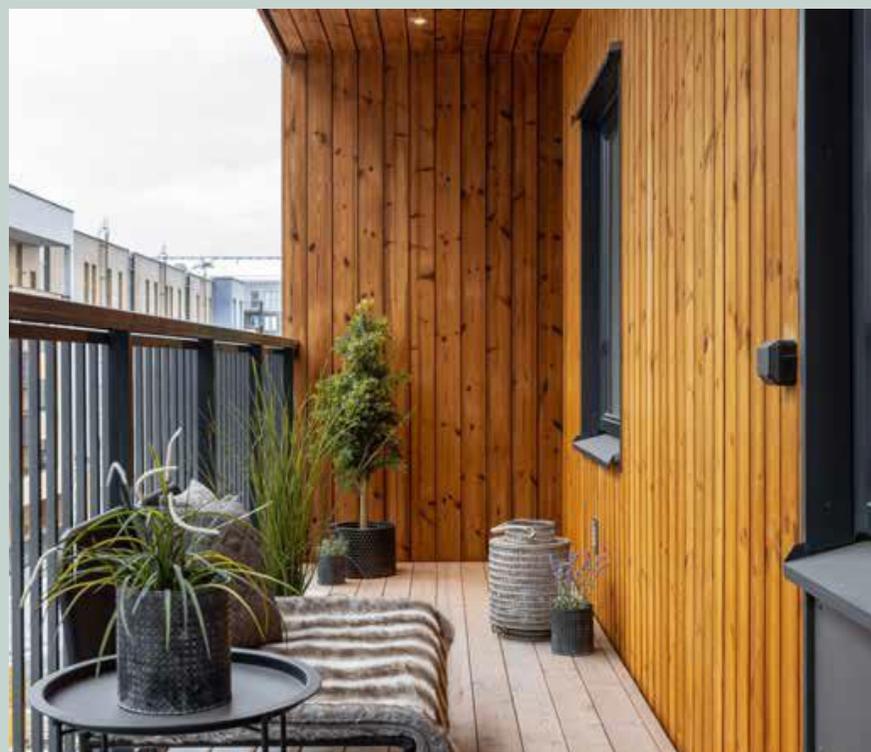
The proceeds of K2A’s Green Financing Instruments issuances will not be used to finance *fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.*

Management of proceeds

Net proceeds from K2A’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 Assets (see Section Use of Proceeds). Information available in the spreadsheet will in turn serve as basis for regular reporting (see Section Reporting) and will be verified by an external part (see Section External review).

All Green Financing Instruments issued by K2A 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 Assets. The Company will keep track and ensure there are sufficient Green Eligible Assets in the portfolio. Assets can, whenever needed, be removed or added to/from the Green Eligible Assets portfolio.

Any unallocated proceeds temporary held by K2A will be placed on the Company’s ordinary bank account. Should there be any unallocated proceeds, K2A strives to allocate them within one year.



Reporting

To enable investors, lenders, and other stakeholders to follow the development of the assets and 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 *quarterly and annually* as long as there are Green Financing Instruments outstanding.

Allocation reporting

- 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 Assets

Impact reporting

The impact report aims to disclose the environmental impact of the Green Eligible Assets financed under this Framework. The impact report will, to some extent, be aggregated and depending on data availability, calculations will be made on a best effort basis. The impact report may include some of the below listed metrics.

Green buildings

- Type of certification including level, if any (e.g. Miljöbyggnad Silver etc.)
- Information on the energy use in kWh/m²/year and/or
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

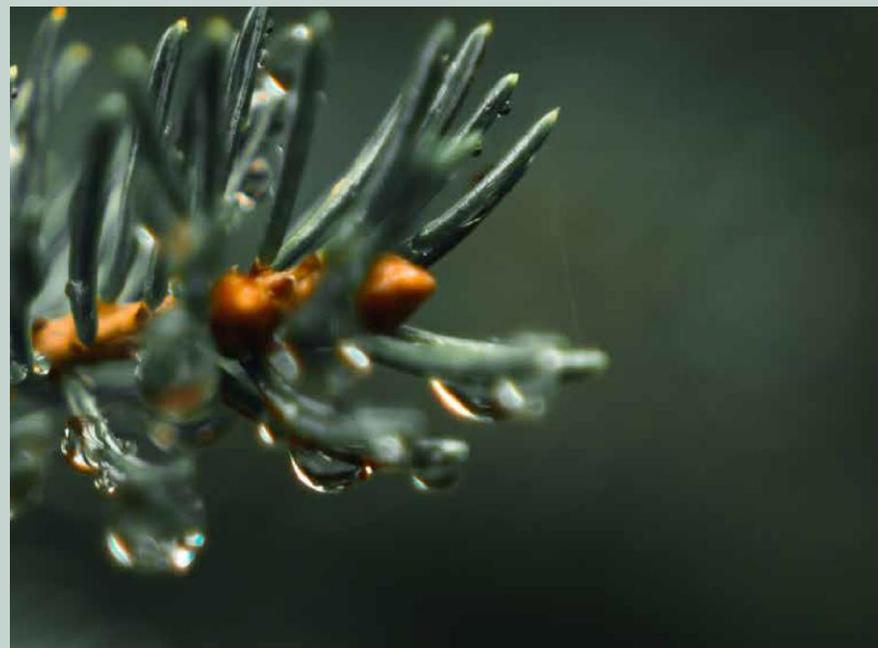
Energy efficiency

- Amount of energy saved per m², and/or
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

External review

Second party opinion

To confirm the transparency and robustness of K2A's Green Finance Framework, it is verified and approved by an *external party*. The second opinion by CICERO Shades of Green is available on K2A's website, together with this Framework.





K2A Knaust & Andersson Fastigheter AB (publ)
Nybrogatan 59, 114 40 Stockholm, info@k2a.se, www.k2a.se,
Org.nr 556943-7600