BONAVA

Green Financing Framework

Impact report 2021

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Background

Who we are

Bonava is a leading residential development company in northern Europe, listed on the Swedish stock exchange. We develop and sell affordable and sustainable multi-family and single-family housing to consumers and investors in selected markets in Sweden, Germany, Finland, Denmark, Norway, St. Petersburg, Estonia and Latvia. A common factor of the target markets is the focus on metropolitan regions with clear growth potential and a stable local labour market, creating demand for new housing over time.

Accelerating urbanisation is setting new demands for residential development companies. We address these demands through joint planning with other parties, such as municipalities, investors and other stakeholders, in expansion zones. This involves planning for service functions and green spaces, delivering innovative parking solutions, and facilitating the usage of sustainable transport alternatives.

Bonava's Sustainability Agenda

We have prioritised the most important aspects of sustainability for Bonava and established an agenda which forms the basis of our sustainability work. The sustainability agenda supports several external commitments, being that: Bonava will comply with the principles of human rights, working conditions, environment and anti-corruption in the UN Global Compact, contribute to the UN Global Sustainable Development Goals (SDGs), follow the OECD Guidelines for Multinational Enterprises as well as reporting according to the Global Reporting Initiative (GRI).

The proceeds of the green debt instruments issued under this document (the "Green Financing Framework") will be used to contribute to our overarching purpose and strategic objectives, in particular the science based targets to combat climate change.

Happy Neighbourhoods

Bonava's purpose is to create happy neighbourhoods for the many. This means that we provide housing in well-functioning neighbourhoods, where people have the highest quality of life. To understand and identify the drivers of neighbourhood happiness for different individuals and in different markets we initiated "Happy Quest" - a unique survey conducted every second year targeting a representative sample of the population in each one of our eight markets.

Common factors for neighbourhood happiness across different markets are to feel safe and that the neighbourhood has a good vibe and atmosphere as well as proximity to grocery stores and shopping centres, parks and green areas, and possibility to walk and bike. The findings from Happy Quest are integrated in our Happy Neighbourhood Tool - our way to systemise knowledge and solutions on how to create happy neighbourhoods. All new projects of Bonava are developed using the Happy Neighbourhood Tool, including for example the integration of green spaces, support for sustainable transport, and creating opportunity for a physically active life.

Embedded Environmental Respect

Residential neighbourhoods affect the environment globally and locally, during and after production. Our aim is to be part of the solution to promote responsible use of resources and land. Bonava was the first residential developer in Northern Europe to set Science Based Targets.

We are committed to reducing our absolute scope 1 and 2 GHG emissions in line with a 1.5-degree scenario by achieving a 50% reduction by 2030 from a 2018 baseline. We will also reduce the lifetime carbon impact per Bonava home, by reducing scope 3 GHG emissions per production started housing unit, by 50% by 2030 from a 2018 baseline. To achieve these goals, we are working towards a circular production model using sustainable and non-hazardous materials, sustainable use of land that supports local biodiversity and resilience against climate change and developing resource-efficient buildings

Environmental certifications are effective tools to ensure resource-efficient and environmentally adapted buildings. The Nordic Swan Ecolabel is the certification scheme that best fits Bonava's strategy. The Nordic Swan Ecolabel considers the environment throughout the construction process – from raw materials to completed buildings. The labelling scheme imposes requirements on resource efficiency and use of materials, energy efficiency, chemical products, building products/goods, and a number of indoor environmental factors relevant to health and to the environment. Bonava certifies all new production in Sweden and Norway with the Nordic Swan Ecolabel and the ambition is to increase the scope to other Nordic countries.

Bonava 2021

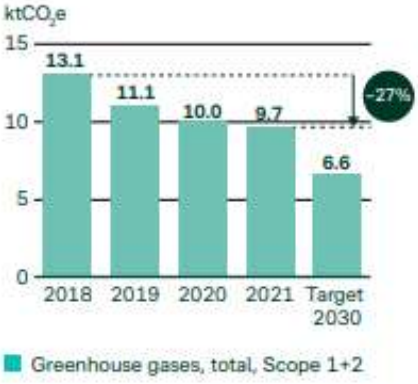
A strategic review of Bonava's operations and business environment was initiated in early 2021 in order to identify conditions for increased efficiency and profitability throughout the Group. As an initial step, a decision was taken in the spring to wind down operations in Denmark, and the sale of the remaining land bank in Copenhagen was concluded in the fourth quarter. It is expected that operations will be completely wound down in 2023.

Starting 2021 the sustainability agenda had four focus areas, including Happy Neighbourhoods for the many, Protecting our planet, Passionate workplace and Reliable business. During 2021 the Bonava strategy was revised, and the sustainability agenda is now integrated both in the overall purpose to create happy neighbourhoods for the many, strategic objectives and the sustainable foundation consisting of the focus areas Embedded environmental respect, People centric culture and Governance for high performance.

We started production of 4 955 living units and handed 5 295 living units over to their customers. 71 projects completed production during 2021. During the year we took up loans and issued more bonds, based on the criteria eco-labelled assets.

Please, see our annual and sustainability report 2021 for more information.

Greenhouse gas emissions, Scope 1 and 2



Distribution of greenhouse gas emissions 2021

Greenhouse gas emissions Scope 3, total and per housing start

Comments on the outcome of greenhouse gas emissions 2021

In 2021, the trend continued of decreasing emissions in own organisational control while emissions in the value chain increased somewhat compared with the preceding year. Overall, Scope 3 emissions declined by 8 per cent since the base year. However, it is not enough to be in line with our ambitious targets given that our target for Scope 3 is formulated in relation to housing starts. The category of goods and services purchased was the primary driver behind the increase, which is attributable to a weak correlation in time between the number of housing starts and actual purchases of goods and services, which occurs on an ongoing basis during production.

Bonava 2021

The updated strategy means that the Group revised its targets. The table below presents the targets that applied for the 2021 financial year and their outcome.

Target	Target 2021	Outcome 2021	Outcome 2020	Outcome 2019
Return on capital employed	Target:10-15%	9.6%	7.9%	8.1%
Equity/assets ratio	Target:>30%	35.1%	34.6%	32.1%
Dividend policy	>40% of profit after tax	46% Board proposal	77%	0%[1)]
Affordable housing	Half of housing starts in affordable segment	67%	54%	57%
Green offering	100% ecolabelled housing starts in Sweden, Denmark and St. Petersburg. Increase in other markets.	Sweden: 100%, St. Petersburg: 100%, Denmark: n/a, Norway: 59%	Other target	Other target
Combat climate change	Green house gas emissions reduced in line with approved science based targets, in relation to base year 2018 Scope 1 and 2 Scope 3 Scope 3 per housing start	-27% -8% +21%	-24% -10% +2%	-17% -8% +34%
Passionate workplace	Employee Engagement maintained or improved, based on our benchmark index (benchmark)	85(80)	84(79)	84(77)
Zero harm	Safety culture improved and risk of accidents reduced in accordance with the Zero Harm programme in effect for the year	98%	98%	100%

1) No profit was distributed due to COVID-19

Impact assessment

About the assessment.

This is our second impact assessment, covering impact of the second year of operation under our Green Financing framework.

During 2021 17 new projects with 1131 living units in Sweden respective 3 projects with 66 living units in Norway started production, of which all fulfill the Bonava green financing criteria being eco-labelled according to the Nordic Swan eco-label. These projects are all still included in the green asset pool and their impact will be reported when the buildings are completed.

15 projects with 1031 living units in Sweden respective 3 projects with 89 living units in Denmark were completed during the 2021, fulfilling the Bonava green financing criteria being Nordic Swan eco-labelled. The impact of these projects is in scope for this report.

The completed projects fulfilling the Bonava green financing criteria 2021 will annually avoid 1699 MWh of energy use, and thus 703 metric tonnes of carbon dioxide equivalents of green house gas emissions, compared to the corresponding national building regulation for new construction.*

In addition to that the completed projects will generate 300 MWh of installed local renewable energy supply, mainly solar cells. There are 224 charging stations for electrical vehicles installed.

* Emission factors and national baselines as defined by Danske Bank, please refer to appendix.

Green asset allocation 2021

Financial category	Climate-related category	Metric	2021 Closing balance (SEK M)	2020 Closing balance (SEK M)
Green assets	Adaptation and limitation	Total volume of green assets under Bonava's green financing framework, category Nordic Swan ecolabelled projects	3,956	3,901
Green assets used for external financing	Adaptation and limitation	Green loans	-616	-301
		Green bonds	-1,200	-1,000
		Project specific financing, Nordic Swan eco-labelled TOA projects Sweden	-708	-694
Green assets available	Adaptation and limitation	Remaining volume of green assets under Bonava's green financing framework, category Nordic Swan ecolabelled projects	1,432	1,906

Details

The closing balance of total volume of green assets under Bonava´s green financing framework 2021 consists of 58% assets in ongoing projects, 31% assets in properties held for future development (landbank) respective 11% assets in capitalized development costs in Sweden and Norway where all new projects to start will be ecolabelled and fulfill the criteria of the Bonava green financing framework, as well as still ongoing projects in Denmark. Assets in completed houses sold or onsold are not included.

All financing is new financing.

List of projects completed and discontinued from the green asset pool during 2021

Country	Project	Number of Living Units	Environmental Certification of Buildings	Approval date certification
Sweden	Öbacka Strand 6	767	Nordic Swan Eco Label	2021-09-06
Sweden	Märtas Berså, Sollentuna	104	Nordic Swan Eco Label	2021-08-23
Sweden	Brunnshög Hyresrätt, Lund	169	Nordic Swan Eco Label	2022-02-28
Sweden	Brf Flisa (Nedersta C2)	30	Nordic Swan Eco Label	2021-11-15
Sweden	Silverslänten II(ÄG), Österåker	11	Nordic Swan Eco Label	2021-12-31
Sweden	Gatt Brf, Österåker	42	Nordic Swan Eco Label	2021-10-25
Sweden	Tuve, Göteborg	209	Nordic Swan Eco Label	2021-12-31
Sweden	Kareby Etapp 1a Brf Vinbärsgläntan, Kungälv	43	Nordic Swan Eco Label	2021-11-25
Sweden	Tinnerbäcks Brunn, Linköping	52	Nordic Swan Eco Label	2021-12-31
Sweden	Ältadalen - Pionen (ÄGA), Nacka	46	Nordic Swan Eco Label	2021-06-18
Sweden	Ultuna Nästet - Bofinken, Uppsala	35	Nordic Swan Eco Label	2021-12-31
Sweden	Kareby Etapp 1b ÄG Fläderstråket, Kungälv	9	Nordic Swan Eco Label	2021-11-25
Sweden	Förseglet Kvarter H, Västerås	162	Nordic Swan Eco Label	2022-05-06
Sweden	Tomtebo gård Lav I	33	Nordic Swan Eco Label	2021-10-25
Sweden	Kareby Etapp 1c ÄG Smultronstråket, Kungälv	10	Nordic Swan Eco Label	2021-11-25
Denmark	Vedbæk Park - Vest	50	Nordic Swan Eco Label	2017-06-01
Denmark	Hangarhusene 1	20	Nordic Swan Eco Label	2021-04-21
Denmark	Hangarhusene 2	19	Nordic Swan Eco Label	2021-09-30

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Auditor's Limited Assurance Report

To Bonava AB (publ), Corporate identification number 556928-0380

Introduction and Scope

We have been engaged by the Board of Directors of Bonava AB (publ) ("Bonava") to undertake a limited assurance engagement of Bonava Green Financing Framework Impact Report 2021 ("the Report").

Responsibilities of the Executive Management

The Board of Directors and the Executive Management are responsible for evaluating and selecting eligible assets, for the use and management of bond proceeds, and for preparing a Report that is free of material misstatements, whether due to fraud or error, in accordance with applicable criteria. The criteria are relevant parts (page 6) of the *Bonava Green Financing Framework* ("the Framework") dated February 2020, available on Bonava's website.

Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We have conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected information in the Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent towards Bonava in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, 10 May 2022

Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant

Isabelle Hammarström
Sustainability Expert member of FAR

Appendix

Green asset criteria

Green and energy efficient buildings

The financing or refinancing of investments related to the development[2] and completion of housing units that are designed and intended to achieve, at least one of the following criteria:

i. A Nordic Swan Ecolabel certification,

ii. An Energy Performance Certificate with energy class A or B, or meet the requirements of Nearly Zero Energy-Buildings (NZEB)[3],

iii. A DGNB "Gold"[4] certification, or

iv. Otherwise determined to belong in the top 15 % most energy efficient buildings in their respective region, for instance, through a specialist study.[5]

Investing in resource- and energy efficient buildings

The real estate sector is the single largest energy-consuming sector in the EU, responsible for about 40 per cent of total energy usage (EU Taxonomy, 2019). Investing in low-carbon and energy-efficient buildings thus play a key role in the clean energy transition. Emissions are not only generated during the operational phase of a building but also during the extraction, manufacture and transport of building materials as well as in the construction period.

Bonava aims to develop homes with a better energy performance than required by the relevant national building regulation. The Nordic Swan Ecolabel is Bonava's first choice of building certification to ensure a minimum environmental impact throughout the life of the building. The Nordic Swan Ecolabel is a life cycle assessment-based methodology which sets obligatory requirements throughout the construction process. These includes strict requirements on resource efficiency (e.g. energy consumption, lighting and waste management), indoor environment (radon and moisture prevention, ventilation and daylight), and requirements on products, goods and materials used in the construction, and quality management throughout the construction process.

[2] Development costs include the acquisition of land and cost of soil remediation.
[3] Nearly Zero Energy-Buildings (NZEB) are buildings with a very high energy performance, as defined by each EU Member State. The Energy Performance of Buildings Directive requires all new buildings within the EU to meet the NZEB requirement in the respective country from 2021.
[4] Certification provided by the German Sustainable Building Council.
[5] In the event a specialist study is used, the methodology will be verified by Sustainalytics.

Process for evaluation & selection

Bonava's overall management of environmental, social, governance and financial risks is a core component of our decision-making processes. Our risk management strategy is stated in our policies, guidelines and instructions. The process for evaluation and selection of Green Assets will follow the same standard decision-making process.

Evaluation and selection of assets

Green Assets shall comply with the eligibility criteria defined under the Green Asset Criteria. The process of evaluating and selecting eligible Green Assets as well as the allocation of Green Debt proceeds to eligible Green Assets comprise the following process:

1) Representatives and sustainability experts within Bonava evaluate potential Green Assets, their compliance with the Green Asset Criteria, and their environmental benefits.
2) A list of the potential Green Assets is presented to Bonava's Green Financing Committee (the "GFC"). The GFC is solely responsible to acknowledge the asset as green, in line with the Green Asset Criteria. Green Assets will be marked as green in a dedicated "Green Register". A decision to allocate net proceeds will require consensus decision by the GFC. The decisions made by the GFC will be documented and filed.

Green Financing Committee (GFC)

The GFC is chaired by the Group Head of Sustainability and includes the following members:

- Group Head of Sustainability
- Group Head of Treasury
- Group Head of Strategy & Analysis

The GFC will convene once a year or when otherwise considered necessary. The GFC holds the right to exclude any Green Assets already funded by Green Debt net proceeds. If a Green Asset is sold, or for other reasons loses its eligibility, funds would then follow the procedure under Management of Proceeds until reallocated to other eligible Green Assets.

Management of proceeds

Separate account

Should the nominal amount of Green Debt outstanding at any time exceed the value of Green Assets in the Green Register, the unallocated Green Debt net proceeds will be credited a "Separate Account". The unallocated amount will be disclosed in Bonava's Green Debt reporting. In the event that the value of the Green Assets exceeds the nominal amount of Green Debt outstanding, a transfer can be made from the Separate Account. Any transfers from the Separate Account will be documented, to ensure tracking and simplify the Green Debt reporting.

Temporary holdings

Unallocated Green Debt net proceeds may temporarily be placed in short-term interest bearing securities while pending allocation to eligible Green Assets.

Exclusions

Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Use of proceeds

Allocation of net proceeds

An amount equal to the net proceeds of the Green Debt will finance or refinance, in whole or in part, investments undertaken by Bonava that promote the transition towards a low-carbon and environmentally sustainable society ("Green Assets"), in each case as determined by Bonava in accordance with the Green Asset category defined on the next page. Green Assets will form a portfolio of assets eligible for financing and refinancing by Green Debt.

Financing and refinancing

New Green Assets are defined as assets under development[1] or housing units completed less than 12 months prior to approval by the Green Financing Committee, while refinancing is defined as housing units completed earlier than 12 months prior to approval by the Green Financing Committee.

Look-back period for refinancing of completed housing units is 24 months.

Exclusions

Green Debt net proceeds will not be allocated to projects for which the purpose is fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

[1] Includes land held for development, development costs and housing units under construction.

Emission factor sources

Country	Energy source	Emission factor (g CO2e/kWh)	Original data source
Sweden	Heating	158	NPSI_Position_paper_2020_final.pdf (kuntarahoitus.fi)
Sweden	Electricity (Nordic grid)	315	NPSI_Position_paper_2020_final.pdf (kuntarahoitus.fi)
Denmark	Heating	127	Energistyrelsen 2018
Denmark	Electricity (Nordic grid)	315	NPSI_Position_paper_2020_final.pdf (kuntarahoitus.fi)