BONAVA

Green Financing Framework

Impact report 2023

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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, Estonia, Latvia and Lithuania (Norway and St. Petersburg divested in 2023). A common factor of the target markets is the focus on metropolitan regions with clear growth potential and a stable local labor market, creating demand for new housing over time.

Accelerating urbanization 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 prioritized 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 most recently conducted 2019, targeting a representative sample of the population in each one of our six 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 centers, parks and green areas, and possibility to walk and bike. The findings from Happy Quest helps us to ensure that all aggregate know-how and insights into what creates happiness in a neighbourhood is implemented in our housing projects.

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 develop energy efficient buildings, renewable energy solutions such as solar panels and geothermal energy, using sustainable and non-hazardous materials, sustainable use of land that supports local biodiversity and resilience against climate change.

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 with the Nordic Swan Ecolabel.

From 2023, due to the divestment of Norway, Bonava started to include the value from ongoing projects with energy performance certificate class A or B. This criteria corresponds with a green criteria in our Green Financing Framework. The energy class A and B indicates very high efficiency buildings that consumes significantly less energy for heating, hot water and lightning compared to less efficient buildings. Reduced energy consumption during customer user phase also plays a significant role in reducing our climate impact in scope 3.

Bonava 2023

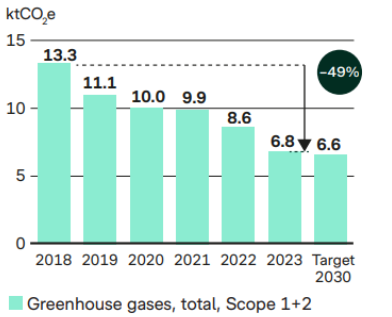
In 2023, we conducted operations in Germany, Sweden, Finland, Norway, Estonia, Latvia and Lithuania with our approximately 1,300 employees. During the year, we divested the operations in Norway and finalized the sale of the operations in St. Petersburg, thereby terminating all operations in Russia. Germany is our largest market.

The sustainability agenda is 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.

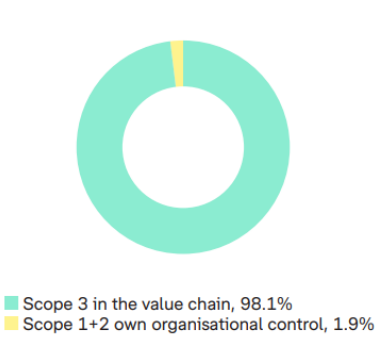
We started production of 1,333 housing units and handed over 1,493 housing units to our customers. During the year we took up green loans based on the Green Financing Framework criteria eco-labelled assets in Sweden and buildings with Energy Performance Certificate with energy class A or B in Finland and Germany.

Please, see our annual and sustainability report 2023 for more information.

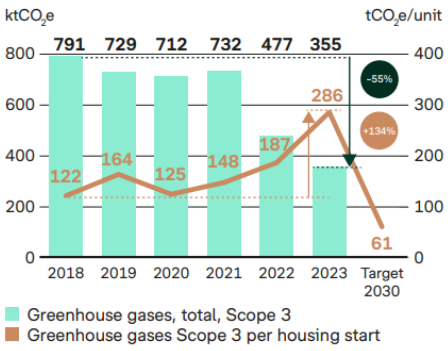
Greenhouse gas emissions, Scope 1 and 2



Distribution of greenhouse gases 2023



Greenhouse gas emissions Scope 3, total and per housing start



Comments on the outcome of greenhouse gas emissions 2023

The outcome for scope 1 and 2, absolute numbers, shows a decrease of 21 per cent from the previous year, which is primarily due to the liquidation of St. Petersburg and Norway. Compared to base year 2018 scope 1 and 2 have decreased with 49 per cent. The outcome for scope 3, absolute number, shows one positive trend with a decrease of 26 per cent from the previous year and 55 per cent from base year. The reduction is due to lower production volumes, the divestments of Norway and St. Petersburg and continuous improvements in the calculation process. Bonava's physical intensity measure, tCO2 per production start, remains inadequate in terms of method to calculate our scope 3 emissions. Bonava is going to do a re-baseline of our climate targets in 2025, based on a lifecycle assessment (LCA) approach rather than a spend-based approach which was the best available praxis when Bonava set its base year 2018 according to Science Based Targets.

Bonava 2023

Owing to the efforts made in conjunction with the new financing package and the business plan that was developed in the autumn of 2023, a decision was taken on new financial targets in early 2024 until 2026. The non-financial strategic targets were left unchanged. The financial targets rest on a financing framework for the purpose of balancing the financial risks in the operations.

Focus areas	Bonava's strategic and other sustainability targets 2023	Outcome 2023	Outcome 2022	Outcome 2021
Profitability	Operating margin before items affecting comparability 2026: At least 10 per cent	5.0%	6,0%	Other target applied
Capital efficiency	Return on equity: At least 15 per cent over time	-18,5%	Other target applied	Other target applied
Equity/assets ratio	Target:>30%	34,6%	31,2%	35.1%
Dividend policy	Dividend of 40 per cent of Group's profit after tax to shareholders over time	0%[1]	0%[1]	46%
Customer satisfaction[2]	Net Promoter Score (NPS) Consistency 100 per cent by 2026	29%	31%	N/A
Embedded environmental respect	Green offering: Increase the availability of sustainable financing. For 2023 through 100% eco-labelled production starts in Sweden and through production starts with energy efficiency class A or B[3)]	Sweden: 100% Finland: 100% Germany: 93%	Sweden: 100% Norway: 34%	Sweden: 100% Norway: 59%
Embedded environmental respect	Combat climate change: Greenhouse gas emissions reduced in line with approved science-based targets (SBTi), in relation to base year 2018: Scope 1 and 2 Scope 3 Scope 3 per housing start	-49% -55% +134%	-35% -40% +53%	-27% -8% +21%
People centric culture	Healthy and safe workplace: Everyone plan fulfilment = >90%[4)] Frequency of serious incidents = <7.1 Engagement index = 87	>90% 7,5 83	89% 14,3 85	Other target applied LTIFR = 7,2 Engagement index = 85
Governance for high performance	Publish annual Sustainability Reports in accordance with the GRI standards and report progress to UN Global Compact	Externally reviewed and authorised Sustainability Report	Externally reviewed and authorised Sustainability Report	Externally reviewed and authorised Sustainability Report

[1]No dividends distributed to shareholders in 2022 and 2023
[2]Measurement was introduced in 2022 after revision of strategy 2021
[3)] Finnish projects have been included since Q2, and German projects have been included since Q4 2023. Projects in the Baltics business unit are also eligible for making green financing available. However, these assets were not made available as green assets in 2023 but will be investigated in 2024. Norway did not have any housing unit production starts in 2023
[4)] The results include Sweden, Finland, Germany, Norway and the Baltics

Impact assessment

About the assessment.

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

New projects

During 2023 two new projects with 88 living units in Sweden 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.

Energy Performance Certificate (EPC) class A or B is a green criteria in Bonava's Green Financing Framework. During the year Bonava started to include the value of ongoing projects in Finland and Germany with calculated energy performance class A or B. From the second quarter, four new Finnish projects with 389 living units were included as green assets and additional 13 new German projects with 962 living units were included from Q4. Two of the included Finnish projects and the German projects are still included in the green asset pool and their impact will be reported when the buildings are completed.

Completed projects

15 projects with 985 living units in Sweden were completed during the 2023, fulfilling the Bonava green financing criteria being Nordic Swan eco-labelled. Out of the four ongoing Finnish projects two were completed in 2023 with 169 living fulfilling Bonava's green financing criteria energy performance class A. The impact of these projects is in scope for this report.

The completed projects fulfilling the Bonava green financing criteria 2023 will annually avoid 1969 MWh of energy use, and thus 145 metric tonnes of carbon dioxide equivalents of green house gas emissions, compared to the corresponding national building regulation for new construction.*

In addition, the completed projects will generate 347 MWh of renewable energy yearly and are prepared for installation of 149 charging stations for electrical vehicles.

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

Green asset allocation 2023

Financial category	Climate-related category	Metric	2023 Closing balance (SEK M)	2022 Closing balance (SEK M)
Green assets	Adaptation and limitation	Total volume of green assets under Bonava's green financing framework, category Nordic Swan eco-labelled projects and energy efficiency class A or B	4,600	4,834
Green assets used for external financing	Adaptation and limitation	Green loans	-1,689	-2,068
		Green bonds	-1,200	-1,200
		Project specific financing, Nordic Swan eco-labelled TOA projects Sweden	-71	-792
Green assets available	Adaptation and limitation	Remaining volume of green assets under Bonava's green financing framework, category Nordic Swan eco-labelled projects and energy efficiency class A or B	1,640	774

Details

The closing balance of total volume of green assets under Bonava´s green financing framework 2023 consists of 43% assets in Ongoing projects including Completed houses, 46% assets in properties held for future development (landbank) respective 11% assets in capitalized development costs in Sweden where all new projects to start will be eco-labelled and fulfill the criteria of the Bonava green financing framework

List of projects completed and discontinued from the green asset pool during 2023

Country	Project	Number of Living Units	Environmental Certification of Buildings	Approval date certification
Sweden	Newton-1-Newton-Haninge	135	Nordic Swan Eco Label	2023-12-22
Sweden	Kapellgärdet Arena-4-Brf Diskuskastaren-Uppsala	63	Nordic Swan Eco Label	2023-07-03
Sweden	Gökegård-1-Kerstins Gård-Partille	76	Nordic Swan Eco Label	2023-08-21
Sweden	Kareby - 3a - ÄG Fläderstråket II - Kungälv	31	Nordic Swan Eco Label	2023-07-10
Sweden	Kareby - Etapp 3b -Brf Rönnbärsgläntan - Kungälv	21	Nordic Swan Eco Label	2023-07-10
Sweden	Kareby - 4 - Brf Körsbärsgläntan - Kungälv	26	Nordic Swan Eco Label	2024-02-04
Sweden	Förseglet-3-Kvarter J-Västerås	162	Nordic Swan Eco Label	2023-11-30
Sweden	Gökegård-2-Olles Länga-Partille	21	Nordic Swan Eco Label	2023-02-03
Sweden	Kapellgärdet Arena-5-Brf Trestegshopparen-Uppsala	35	Nordic Swan Eco Label	2023-12-06
Sweden	Ultuna- 2 - Svalan- Uppsala	35	Nordic Swan Eco Label	2023-04-17
Sweden	Tomtebo gård-3-Bark-Umeå	175	Nordic Swan Eco Label	2023-09-28
Sweden	Täppan, Järfälla	46	Nordic Swan Eco Label	2023-08-31
Sweden	Tomtebo gård-5-Tillsammans-Umeå	54	Nordic Swan Eco Label	2024-02-08
Sweden	Tomtebo gård Primus	83	Nordic Swan Eco Label	2023-08-21
Sweden	Älta Junior-1-Syrenen-Nacka	22	Nordic Swan Eco Label	2023-11-14
Finland	Masala 1 SK Kirkkonummi	93	Energy Performance Certificate, class A	2023-11-06
Finland	Solina 9 SK, Kirstinpuisto, Turku	76	Energy Performance Certificate, class A	2023-11-06

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Auditor's Limited Assurance Report of Impact 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 limited assurance of Bonava Green Financing Framework Impact Report 2023 ("the Report").

Responsibilities of the Executive Team

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 conducted limited assurance procedures in accordance with ISAE 3000 (revised) Assurance *Engagements Other than Audits or Reviews of Historical Financial Information*. 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. A limited assurance engagement has a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQM 1 (International Standard on Quality Management) 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 in relation to Bonava according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement do not allow us to obtain such assurance that we would become aware of all significant matters that could have been identified if an audit was performed. The conclusion based on a limited assurance engagement, therefore, does not provide the same level of assurance as a conclusion based on an audit has.

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 is not prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, date according to our electronic signature

Öhrlings PricewaterhouseCoopers AB

Patrik Adolfson

Authorized Public Accountant

Partner in charge

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 ESG Control and Reporting
- 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	51,4	Energiföretagen 2022
Sweden	Electricity (Nordic grid)	191	Position Paper on Green Bonds Impact Reporting 2024
Finland	Heating	145	Motiva.fi
Finland	Electricity (Nordic grid)	191	Position Paper on Green Bonds Impact Reporting 2024