

Green bond framework

SERNEKE®

March 2021

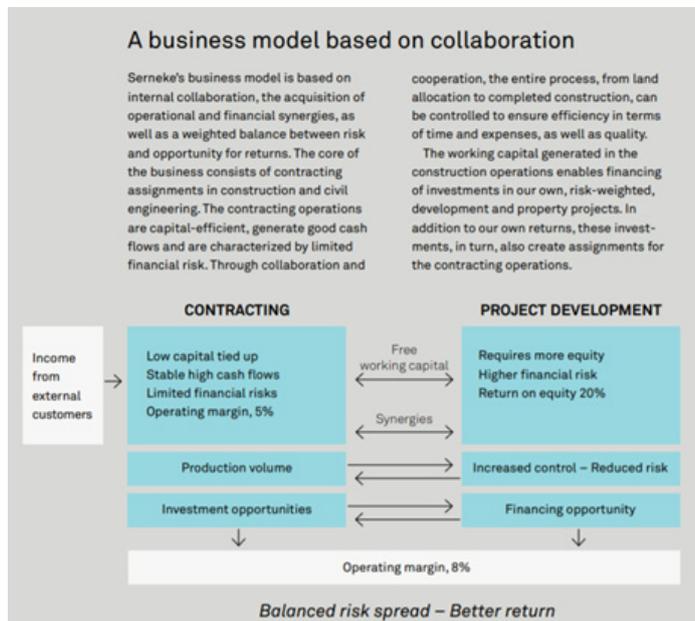


1. Introduction

About Serneke

Serneke is an innovative construction group with a strong desire to create and belong to something new for our customers, the society and the next generation. We offer comprehensive services within construction and project development.

Strong entrepreneurship, closeness to the local business and committed employees have always been the core of Serneke's offering. To strengthen this and create even better conditions for business, both in construction and project development, it was decided to introduce a new organization in 2019.

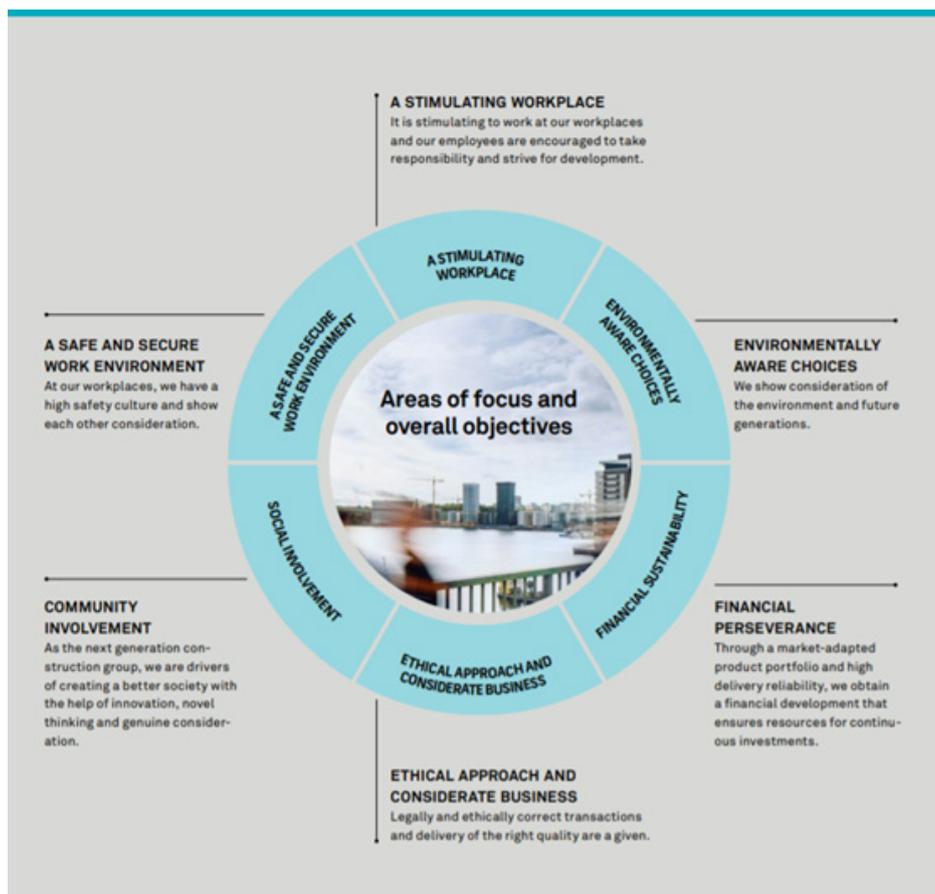


Sustainability at Serneke

Sustainability is no concept we relate to, it's a way of being that permeates everything we do. Serneke's basis and history represent community involvement and a genuine interest to think bigger than ourselves.

Serneke's way to work with sustainability focus on an active commitment to society and minimizing the risk of injury to persons, property and the environment. Social issues are closely connected to our projects and we believe that we can do better business with a broader perspective in sight. It is common sense and responsibility that is at the core of everything we do, regardless if we build new neighbourhoods, housing projects, develop new areas or sponsor a football club.

At Serneke, we believe that a focus on sustainability and a strong commitment goes hand-in-hand with long-term growth and good profitability. By virtue of our size, we have both the opportunity and the responsibility to contribute to a more sustainable future. Through our activities, we contribute to the development of sustainable towns, cities and the society at large for the next generation.



A responsible construction process

Serneke applies a sustainable construction process and strive to incorporate suitability in all parts of the value chain related to our business. We use a lifecycle perspective to ensure control of the environmental impact throughout the value chain. We recognise that there are environmental risks associated with our business and before starting a new project, we make sure to conduct adequate assessments of climate and environmental risks associated with the project in question. This includes risks assessments related to surrounding environment, climate impact, technical- and geotechnical aspects, origin and type of materials used, quality and durability of materials as well as climate related regulations.

We continuously strive to reduce our impact from the construction process. Some of our focus areas are energy efficiency in operations, high material utilisation, limited use of fossil fuel as well as protection of the surrounding environment and bio-diversity in development areas. When Serneke uses subcontractors, we make sure to bring them onto our sustainability journey by posing requirements on all subcontractors to actively work with sustainability issues. Sub-contractors need to comply with Serneke's environmental requirements in operations with regards to energy efficiency, fuel use, handling of chemicals, transport, heavy equipment and circularity.

Serneke make efforts to ensure sustainability in the whole life cycle of our projects. When constructing environmentally certified buildings, the material use is closely monitored to ensure it is compliant with the relevant certification specifications. To further reduce our climate impact and drive change in the business, Serneke continuously engage in projects with the aim to reduce the impact of materials used in construction. An example of this is our participation in a cooperative joint project focusing on the environmental impact of concrete, together with IVL Cementa and White Architects. This includes scenario analysis of different measures to reduce our climate impact in our use of concrete, and research on materials to meet future potential environmental thresholds.

New buildings do not only reshape the skyline, but also the surrounding environment and it's bio-diversity. By applying proactive solutions and construct thoughtfully designed buildings, Serneke aims to do as little impact as possible on the surrounding environment and create conditions for a maintained bio diversity. To further show our commitment to the environment and bio diversity, Serneke has started the work of developing solutions that will, not only maintain, but enhance the bio-diversity where our buildings are constructed.

Since 2020 , Serneke Sweden is certified according to ISO 14001:2015 (environment), ISO 9001:2015 (quality) and Nyberg Svets (a company in the Group) that holds the certification EN 1090:2 (construction steel). In 2020, approximately 60 percent of Serneke's ongoing construction projects, with a project cost of more than SEK 30 million, worked according to certification systems BREEAM, LEED, Svanen or Miljöbyggnad. This is a 10 percentage points increase from the previous year.

Choices to be environmentally aware

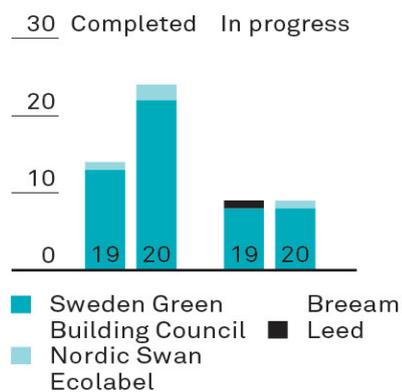
Direct and indirect impact

The environmental impact of construction and civil engineering projects comprises a direct impact from the project itself and an indirect impact as a consequence of the operation and use of the property or building. Serneke strives to minimize the environmental impact through the entire value chain, both in the building phase and the operating and final phase. Through planning, active choices and good documentation, the environmental performance is optimized. In the investment properties, continuous work is conducted to improve the efficiency of the energy use and to offer tenants and visitors good possibilities for environmentally smart action.

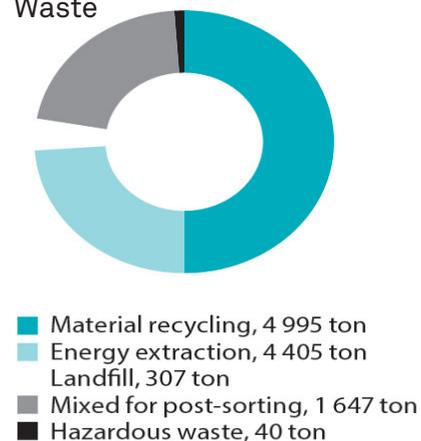
To measure climate impact

One of the processes in the construction phase with the highest climate impact is the production of construction materials, mainly cement and steel. The buildings' energy consumption after completion also contributes to the climate impact, but decreases as the buildings become more energy efficient and electricity production transitions to more renewable sources. In 2020 the work to map and measure climate impact from Serneke's operations continued and we implemented a new system for tracking energy use in our operations, which will help facilitate measurement and reduction of energy use.

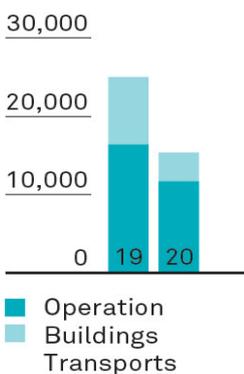
Energy Consumption, MWh



Waste



Environmentally certified projects



At a company level, greenhouse gases are estimated according to the guidelines of the Green House Gas Protocol (GHG). Serneke’s climate survey encompasses scope 1, 2 and 3 where scope 1 and 2 are mandatory to report according to GHG and includes direct emissions from the company’s own transports and purchased energy. 97% of the electricity that Serneke purchased

Greenhouse gas emissions	
	2020
Scope 1 (Direct energy consumption)	1,450
Scope 2 (Purchased energy)	376
Scope 3 (Business travel by air, rail and rental cars)	31
Total greenhouse gas emissions (Scope 1+2+3)	1,856
Total CO₂E (ton)/SEK million¹⁾	0.27

¹⁾The reporting of production fuel is made difficult by the company only owning a few of its own vehicles and work machines, but instead engaging subcontractors including machinery and fuel. This, combined with COVID-19, which affects all key factors, gives a low key indicator for climate impact (0.27).

in 2020 came from renewable sources. In scope 3, Serneke report emissions linked to business travel (trains, flights and rental cars). The fact that Serneke own few of the vehicles and work machines in use makes it difficult to report on production fuel. It is therefore important to engage subcontractors with regards to machinery and fuel. This combined with Covid-19 and several large transactions in 2020 resulted in a low key indicator for climate impact (0.27 CO₂E (ton)/MSEK).

The key indicator is probably not fully representative of the actual climate impact, which is why focus in the future will be to find effective methods for measuring the total direct emissions and the indirect climate impact in Serneke’s value chain, from for example, material production and the buildings’ environmental impact after completion. On a project level, focus is on developing a model to implement climate estimates in projects. Doing climate estimates early enables better prerequisites to adjust material selections and selections of transports to get a lower climate impact.

Sustainability targets and Climate Neutrality 2045

To further embed sustainability in Serneke’s business strategy, we have conducted a materiality analysis and set our targets accordingly. Furthermore, Serneke is behind the national road map for climate neutral construction and shares the objective of being climate neutral by 2045. The road map was developed by the Swedish Construction Federation, industry representatives, researchers and the organization the Fossil Free Sweden Initiative. The objective is to unite politicians, authorities and industry actors in the vision for a climate-neutral industry. In May 2019, Serneke also signed the Local Road Map Malmö 2030 (LFM30).

Serneke has developed its own sustainability targets aligned with the goal of a carbon neutral construction sector by 2045. Hence, Serneke has set the long term target of being climate neutral by 2045. To reach this goal, we have developed relevant interim targets including on all materiality aspects for Serneke. Furthermore, Serneke has a zero vision for serious environmental incidents. Something that was achieved during 2020 and will continue to be one of our top priorities every year, going forward.

2. Green Bond Framework

This Green Bond Framework is based on the 2018 version of Green Bond Principles published by the International Capital Markets Association (ICMA). This Green Bond Framework is one component of aligning our sustainability ambitions with our financing solutions to integrate our sustainability work throughout the whole business.

Use of proceeds

The net proceeds of the Green Bonds issued by Serneke will be used to finance or re-finance Eligible Assets and Projects that have been evaluated and selected by Serneke in accordance with this Green Bond Framework. For operational project expenses, there will be a look-back period of no more than three years. The value of green buildings included in the eligible project portfolio consists of the expenditures required to construct and complete a building in line with the eligibility criteria outlined in 'Green eligible projects' below.

Eligible projects

Green eligible projects

Serneke is enabling Green buildings by offering sustainable construction processes choosing materials with material properties and use building procedures offering construction and development in accordance with leading environmental certification systems. Financing will be allocated to expenditures required to build environmentally certified and energy efficient buildings. Green Eligible Projects means a selected pool/portfolio of construction projects undertaken by Serneke that target enables climate change mitigation and/or adaptation and are eligible under the following below definitions.



Categories	Description of projects	SDG Mapping
<p>Green buildings</p>	<p><i>Certified, or to be certified, commercial and residential properties or commercial and residential properties that are built in line with one of the following certifications:</i></p> <ul style="list-style-type: none"> • <i>Miljöbyggnad (minimum certification of Silver),</i> • <i>LEED (minimum certification of Gold)</i> • <i>BREEAM-SE (minimum certification of Very Good),</i> • <i>Nordic Swan Ecolabel</i> <p><i>In addition to the above, all Eligible properties will need to have at least 20 % better energy efficiency compared to the National Building Regulation valid at the time of approval by the Green Bond Committee.</i></p> <p><i>Examples of expenditures eligible for financing:</i></p> <ul style="list-style-type: none"> • <i>Raw materials</i> • <i>Personnel cost</i> • <i>Consultants</i> • <i>Subcontractors</i> • <i>Swedish Green Building council (SGBS) fees</i> 	 

In addition to the above, the proceeds will not be used to finance projects related to fossil fuel projects infrastructure.

Selection and evaluation of eligible projects

Serneke has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Projects for its Green bond issuance. To oversee this, a Green Bond Committee has been established with members from management, finance, sustainability and business control. The finance representative is the chair of the committee and the sustainability representative holds a veto.

The Green Bond Committee follows the below outlined process when selecting and evaluating projects for the Eligible Project Portfolio.

1. Serneke Finance will propose potential projects and assets to be financed to Sustainability.
2. Serneke Sustainability will evaluate eligibility of proposals according to the eligibility criteria in the above table and remove projects that do not meet the criteria.
3. Serneke Sustainability presents the potential eligible assets and projects to the Green Bond Committee for final approval.

The portfolio of Eligible Projects will be reviewed and updated at least on an annual basis, or when a Green bond is issued. If a project no longer meets the eligibility criteria, the project will be moved from the portfolio of Eligible Projects and no proceeds will be allocated to the project.

Management of proceeds

Serneke will establish a Green Bond Register in relation to Green Bonds issued by Serneke for the purpose of monitoring the Eligible Assets and Projects Green bond project portfolio and the allocation of the net proceeds from Green Bonds to Eligible Assets and Eligible Projects.

Given the inherent nature of Serneke's business model, the control and ownership of the Eligible Assets and Projects will be transferred to the acquirer at completion. These Eligible Assets and Projects will be removed from the Green Bond Register when control is transferred to the acquirer.

Serneke will over the duration of the outstanding Green Bonds build up and maintain an aggregate amount of Assets and Projects in the Green Bond Register that is at least equal to the aggregate net proceeds of all outstanding Serneke Green Bonds.

There may be periods when the total outstanding net proceeds of Green Bonds exceed the value of the Eligible Assets and Projects in the Green Bond Register. Any such portion will be held in accordance with Serneke's normal liquidity management policy.

The Green Bond Register will form the basis for the impact reporting.

Reporting

Serneke will annually publish a report on the allocation and impact of Green Bonds issued under this framework. The Treasury team will have the main responsibility for the report on allocation and impact, with support from the Green Bond Committee. Where relevant, Serneke will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The impact report will, to the extent feasible, also include a section on methodology, baselines and assumptions used in impact calculations.

Allocation Reporting

The allocation report will include the following components:

- The amount of net proceeds that have been allocated to the Green Bond project category and, when possible and relevant, further information related to the type, number and location of the Green Bond projects funded
- Detailed descriptions and case studies of selected Eligible Projects financed
- The remaining balance of net proceeds which have not yet been allocated to Eligible Projects

Impact Reporting

Serneke will strive to report on the actual environmental impact of the projects financed by their Green Bonds. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact will be reported.

Due to the fact that Serneke is a construction company, the company will not have the possibility to report on the actual performance of the building after control and ownership have been transferred to the acquirer. The reported impact will hence be based on estimations and targeted environmental certification. The impact metrics selected may include the following:

- Green buildings
- Number/share of buildings built in line with environmental certifications as well as targeted certificates for these buildings
- Annual energy avoided compared to the relevant building code (for new buildings), MWh
- Energy intensity of buildings constructed, kWh/m²
- Estimated annual GHG emissions avoided due to energy savings, t CO₂e

External review

Serneke has engaged CICERO Shades of Green to act as an external verifier of this Green Bond Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on Serneke's website.