Annehem Fastigheter AB
Shades of Green assessment[1]

March 7, 2024

Sector: Real Estate

Region: Sweden

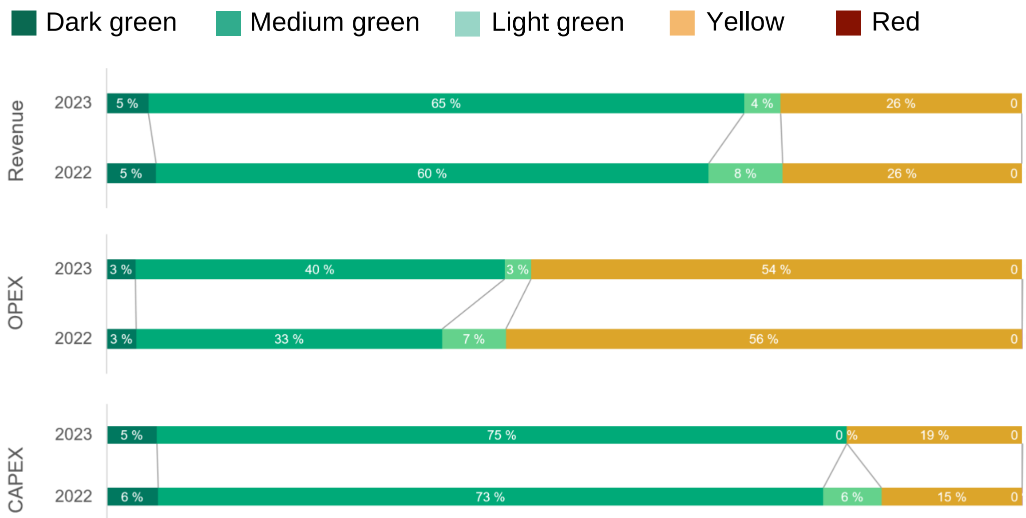
This report was produced by Shades of Green using Shades of Green Methodology.

On December 1, 2022, S&P Global acquired Shades of Green from CICERO.

Executive Summary

Annehem Fastigheter AB (Annehem) owns and manages commercial, community service and residential properties in the Nordic growth regions of Stockholm, Gothenburg, Skåne, and Helsinki. Although Annehem sold its asset in Oslo during 2023, the Nordics remain a relevant market. Annehem was listed on Nasdaq Stockholm Exchange, in December 2020. In 2023 income from property management amounted to SEK 90.5 million. The fair value of properties amounted to SEK 4,412.7 million and investments in existing properties amounted to SEK 95.8 million.

Shading of Annehem's 2022 and 2023 revenue, operating expenses, and capital expenditures



Source: Shades of Green analysis using Annehem's financial data from 2023.

Figure 1: Shading of revenue, operating costs and capital expenditures for Annehem.

We note that the portfolio stayed similar compared to 2022, except the inclusion of one new property in the management portfolio. The total share of properties shaded green was 74% of revenues, 46 % of opex, and 81% of capex in 2023, compared to 74% of revenues, 44% of opex and 85% of capex in 2022. The portfolio stayed the same compared to 2022, except the inclusion of one new property in the management portfolio which was shaded Medium Green. The shading is based on the methodology applied by CICERO Shades of Green in 2021 for the initial assessment to allow for a comparison of Annehem's portfolio over time. The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. From a climate perspective, it is better to maintain existing buildings rather than build new ones.

Nasdaq Green Designation[1]

Shades of Green assesses that Annehem meets the requirements for Nasdaq Green Equity Designation set out in the Nasdaq Green Equity Principles.

[1] Shades of Green is an approved reviewer to assess alignment with the Nasdaq Green Equity Principles, Nasdaq.com/Solutions/Nasdaq-Nordic-Green-Designations

However, in a 2050 perspective, the average energy intensity of Annehem's portfolio needs to improve over time. Buildings that are energy efficient compared to similar building stock or have other environmental benefits, as demonstrated by a high level of green building certification, are assessed as green.

The Shade of Green assigned to Annehem's properties reflects energy use and level of environmental certification. Dark Green is assigned to one property with an energy performance certificate of A (EPC A) and a high level of green building certification. Medium Green is assigned to properties with high levels of environmental certification or with an energy use 20% below current building regulations or EPC B. Light Green is allocated to properties with a high level of certification and existing older buildings with energy use within the top 15% of similar stock as applied in the 2021 assessment. For properties not fulfilling any of the above criteria, a shade of Yellow was allocated.

Governance Assessment

The overall assessment of Annehem's environmental governance gives it a rating of Good. Over the last year, Annehem has continued to focus on building the foundations of its sustainability strategy primarily through training efforts and greater stakeholder engagement. It's stakeholder engagement strategy in 2023 included surveying its largest suppliers by spend on their sustainability and governance practices with the ambition to foster future collaboration. Training will focus on ensuring that energy data is being tracked in an accurate and timely manner, so as to best support the company in its decarbonization efforts. Annehem has continued to report scope 3 data, including adaptations for tenants and tenant electricity, however it has not yet formally set a scope 3 reduction target as it is still assessing its data and reduction pathways before committing to a target. They will assess compatibility with the Swedish government's net zero target as well as continue preliminary work into assessing whether to apply for a SBTi verified target.

EU taxonomy

The most relevant EU Taxonomy criteria are Acquisition and ownership of buildings. We find, with 2022 numbers in parenthesis, that 41% (38%) of revenue, 22% (21%) of operating costs and 50% (50%) of investments in 2023 were likely aligned with the EU Taxonomy. The share of alignment has increased as one new energy efficient building has been included in the management portfolio. One can still not conclude on alignment for properties located in Finland and Norway as the countries are yet to define the top 15% of the buildings stock. The share of alignment will likely go up when the top 15% is defined for all countries. Annehem appears to be aligned with the do-no-significant-harm (DNSH) criteria on climate adaptation as it has performed a full climate risk assessment in 2022 and continued its work in 2023. Shades of Green considers that Annehem likely fulfils the minimum social safeguards of the EU Taxonomy

Table 1: Sector specific metrics

	Energy use[2] (kWh/m^2 Atemp)	Environmentally certified (% of area)	Emission intensity scope 1 + 2 (kgCO_2e/m^2)	Heated directly by fossil fuels (% of area)
2023	81	34	0.67	0.5
2022	79	30	2.5	0.4
2021	85	30	3.3	0.5

2 Note that energy and emission data is partly based on uncertain estimates.

Contents

Annehem's sustainability governance

Company description

Annehem Fastigheter AB owns and manages commercial, community service and residential properties in the Nordic growth regions of Stockholm, Gothenburg, Skåne, and Helsinki. While the company's properties are largely modern, which allow for flexible use and good accessibility to public transport, its portfolio also includes two business parks, Ljungbyhed Park and Valhall Park. established on old air force bases. The parks contain a wide variety of buildings, including educational and research premises, offices, storages and other types of buildings.

Annehem was listed on the Nasdaq Stockholm Exchange in December 2020. In 2023 income from property management amounted to SEK 90.5 million. The fair value of properties amounted to SEK 4,412.7 million and investments in existing properties amounted to SEK 95.8 million.

Governance Assessment

The overall assessment of Annehem's environmental governance gives it a rating of **Good**. Over the last year, Annehem has continued to focus on building the foundations of its sustainability strategy primarily through training efforts and greater stakeholder engagement. It's stakeholder engagement strategy in 2023 included surveying its largest suppliers by spend on their sustainability and governance practices with the ambition to foster future collaboration. Its training efforts moving forward are likely to focus on ensuring that energy data is being tracked in an accurate and timely manner, to best support the company in its decarbonization efforts. The company continues to screen suppliers for human rights and labor practices and has not experienced any adverse findings to date.

Annehem has committed to be net-zero scope 1 and 2 by 2030 and has identified key activities to achieve its targets. During 2023, the company executed on its goal to replace all fossil diesel with hydrotreated vegetable oil, which has had a positive impact on its scope 1 performance. For scope 2, Annehem informs us that it is dependent on the district heating companies to reduce their emissions. Annehem has engaged with some of its most impactful district heating suppliers and believes it will benefit from the suppliers' reduction plans. Moreover, the company has purchasing Eco Bio Heat in its Finnish properties since 2022 which has already led to reductions in its Scope 2 emissions. Other measures to reduce scope 2 emissions are to continue to buy green electricity, as well as investing in solar and geothermal energy. Annehem will probably reset its decarbonization targets for scope 1 and 2 given their quick progress to date.

Annehem has continued to report scope 3 data, including adaptations for tenants and tenant electricity, however it has not yet formally set a scope 3 reduction target as it is still assessing its data and reduction pathways before committing to a target. They will assess compatibility with the Swedish government's net zero target as well as assessing whether to apply for a an SBTi verified target.

Annehem completed in-depth climate risk and vulnerability analysis on 2 assets in 2023, with a 2100-year perspective including scenarios RCP 2.6 and RCP 8.5[3]. There is another such analysis underway on the asset they most recently acquired. The analysis was performed for 86% of the portfolio value. Based on the analysis, an adaptation plan with structural challenges including property-specific areas to focus on has been developed. Identified measures will be included in maintenance plans for properties. When acquiring new assets, Annehem will require or conduct a climate risk and vulnerability analysis. Going forward, Annehem is starting to prepare for and aligning its reporting with the CSRD.

[3] RCP 2.6 and RCP 8.5 are two potential climate scenarios described by the Intergovernmental Panel on Climate Change (IPCC) where RCP 4.5 is described as a stringent scenario and RCP 8.5 is the highest baseline emissions scenario.

Assessment of Annehem's activities

Key performance indicators

Table 2: Quantitative targets and progress				
	2021	2022	2023	Target
Share of portfolio value environmentally certified	85%	77%	82%	90%
Energy intensity to be reduced by 9% from 2021 to 2024 (Baseline of 85kWh/m2)	NA	7%	4.7%	9%
Percentage green contracts	24%	27%	35%	80%
Water use intensity	NA	237 l/m2	315l/m2	-3% yearly

Annehem's quantitative targets and progress are summarized in table 2. The energy intensity has increased from 79kWh/m2 in 2022 to 81kWh /m2 in 2023, where adjustments in the area used for the calculation have been made for thebusiness park Valhall resulting in a higher energy use for those properties. The increase is therefore due to a change in calculations rather than an actual increase in energy use. According to Annehem, when comparing with the same calculation method as last year, the energy intensity decreased by 3%. The reported water intensity has changed for 2022 since last year's report. When reviewing 2023 data, Annehem realised that the reported water intensity from 2022 was lower than expected, and therefore reviewed and updated the data. With updated data, the reported water intensity increased in 2023 compared to 2022. According to Annehem, the increase is caused by new properties being included in the calculation that were not covered in the 2022 calculation.

Table 3: Energy mix for Annehem				
Energy Source	**2021**	**2022**	**2023**	**Comment**
Facility electricity	17%	14.7%	14.1%	
Operations electricity		2.6%	2.6%	
District heating	82%	80.7%	81%	
District cooling	0.5%	1,8%	2.1%	
Fossil fuels	0.5%	0.2%	0.2%	Gas boiler

Annehem's energy mix stayed largely the same between 2022 and 2023.

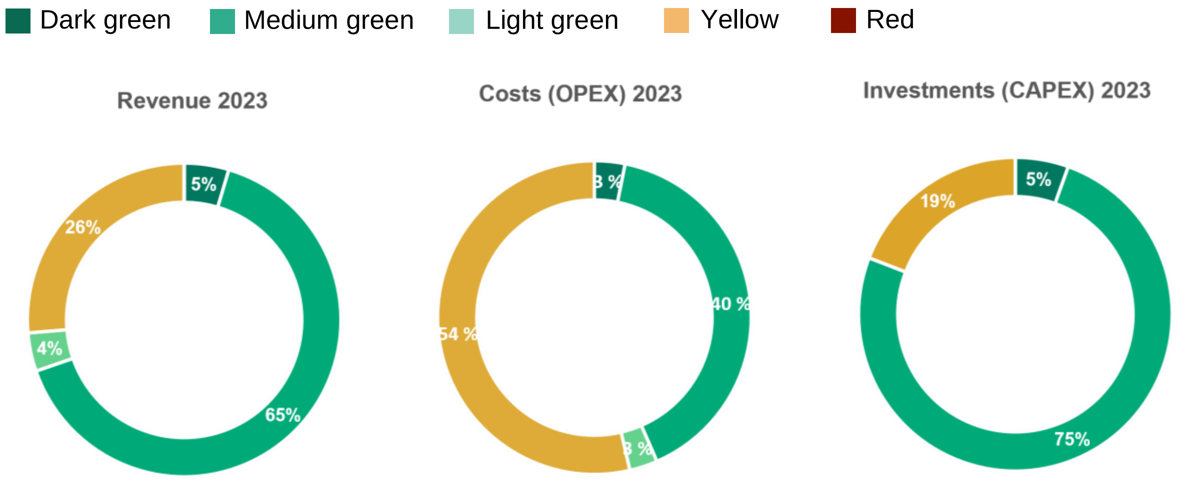
Table 4: The table summarises Annehem's CO2-emissions and main CO2-emission reduction targets				
Emissions	**Total (tons CO_2eq[4])**	**Scope 1**	**Scope 2**	**Scope 3**
Main Targets		Net-zero by 2030 (Includes scope 1 and 2) (Base-year 2021)		Target to be set in 2024.
2023	1508	17	118	1373
2022	2862	34	119	2335
2021	760,6	57,8	625	607,1
Change 2022-2023	-47%	-50%	-76%	-41%
Main sources	Scope 3 is the largest share of total emissions. New reporting principles according to new Swedish guidelines for real estate owners[5].	Direct emissions (Company vehicles, refrigerant and basement boilers)	In 2021, it included purchased energy. In 2022 Annehem introduced a new method for measuring emissions.	In 2021, Scope 3 included tenant energy use and business travel. In 2022 and 2023, scope 3 included: i) purchased goods and services, ii) capital goods, iii) business travel, iv) downstream leased assets (tenant electricity), v) fuel and energy related activities not included in scope 1 and 2.

Annehem explains that scope 1 emission reductions are a result of the transition from diesel fuel to HVO as well as moving the company car fleet to electric vehicles. Moreover, Annehem has restated its scope 2 data for 2022 to be 119, rather than the originally reported 492, based on the fact that it has switched to lower emitting district heating service in Finland, the benefits of which were not reflected in its previous reporting. The scope 3 reduction is driven primarily by lower capital goods spending, where tenant adaptations are the key source of emissions. The company explains that capital goods spending is affected by tenant adaptations which will occur sporadically and be accounted for in the year in which those adaption projects are completed. As a result, the company expects that scope 3 emissions will fluctuate annually and is expecting an increase scope 3 emissions in 2024 due to adaptations being made for tenants with long term contracts.

[4] CO_2e, carbon dioxide equivalent is a measurement term for greenhouse gas accounting.

[5] https://www.fastighetsagarna.se/globalassets/broschyrer-och-faktablad/riktlinjer/vagledning-rapportering-av-utslapp-i-scope-3-for-fastighetsagare.pdf?bustCache=1675283560017

Shading of Annehem's revenue, operating expenses and investments



Source: Shades of Green analysis using Annehem's financial data from 2023.

Figure 2: Shading of revenue and investments for Annehem for 2023

The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. We have assessed and allocated a shade of green to each property in the portfolio. The shading is based on the same methodology CICERO Shades of Green used in 2021 to enable a comparison of Annehem's portfolio over time. In assigning a shade of green to Annehem's revenue and production cost streams, we have used data on the relevant property's energy use (measured against the applicable building regulation) and the building's environmental certification level, taking into account building materials, resilience, transportation solutions and other environmental considerations, to assign a shading.

Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. These projects should be Paris aligned or have zero emissions around mid-century.

Medium Green is allocated to projects and solutions that represent steps towards the long-term vision but are not quite there yet. This shade is assigned to highly energy efficient properties with an energy use 20% below current regulations or very good environmental certifications, e.g., LEED Platinum.

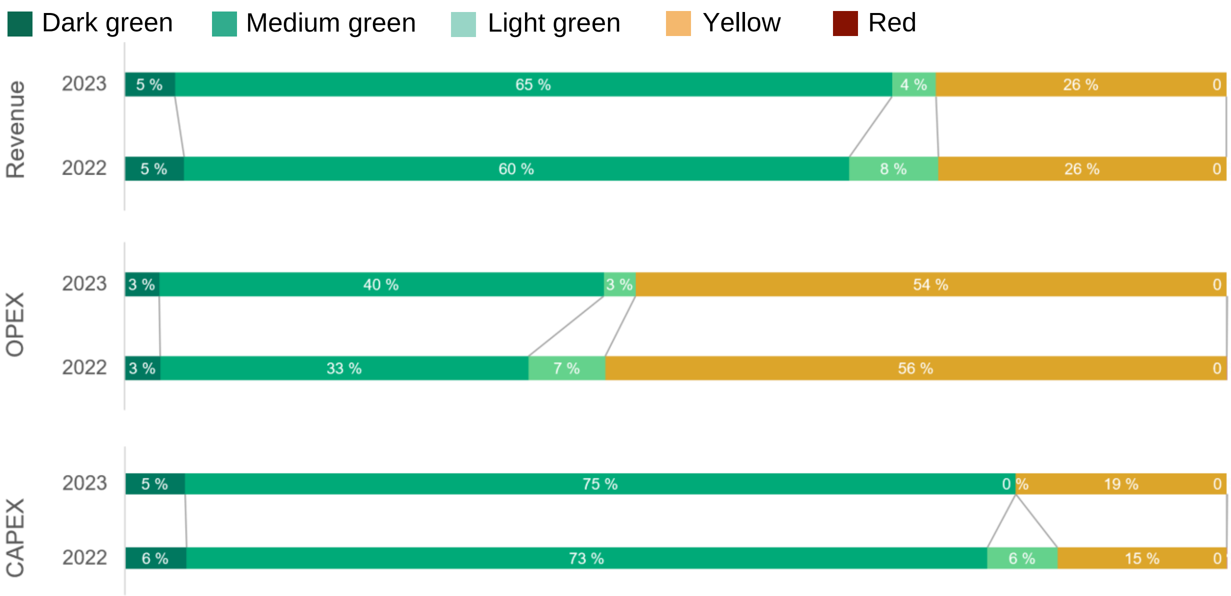
Light Green is allocated to transition activities. This shade is allocated to properties with a high level of certification and for existing older buildings assessed as being within the top 15% most energy efficient of similar stock, on the basis of the approach used in the 2021 company assessment. This allows for a comparison of Annehem's portfolio over time.

For properties not fulfilling any of the above criteria, a shade of Yellow or Red is allocated based on actual energy use and year of construction or last major renovation. The Yellow category is assets where data is lacking or classified as land with too little information on the current or intended usage of the plots. A Yellow shade is assigned to one energy inefficient building with fossil fuel heating and parts of two business parks consisting of multiple buildings.

With these provisions, we find that for 2023 5% of rental revenue came from assets considered Dark Green, 65% from assets shaded Medium Green, 4% from assets shaded Light Green, and 26% from non-green assets shaded Yellow. Overall, 66% of the rental revenue came from assets with some Shade of Green.

When it comes to operating costs in 2023, these were distributed with 3% shaded Dark Green, 40% Medium Green, 3% Light Green, and 54% Yellow. Overall, we find that 68% of operating costs were associated with assets with some Shade of Green.

Investments in 2023 were 6% Dark Green, 73% Medium Green, 0% Light Green, and 19% was assigned a Yellow shade. This suggests that 83% of the investments have some Shade of Green.



Source: Shades of Green analysis using Annehem's financial data from 2023.
Figure 1: Shading of revenue, operating costs and capital expenditures for Annehem.

The total share of properties shaded green was 74% of revenues, 46% of opex and 81% of capex in 2023 compared to 74% of revenues, 44% of opex and 85% of capex in 2022. In total, 13 properties and two parks in the management portfolio were assessed. The portfolio stayed the same compared to 2022, except the inclusion of one new property in the management portfolio, which was shaded Medium Green. For one property, Annehem provided updated energy data, which resulted in the property achieving a Medium Green shading compared to a Light Green shading in last year's assessment.

The shading in this update is based on the same methodology CICERO Shades of Green used in 2021 to allow for a comparison of Annehem's portfolio performance over time. Investors should be aware that our methodology is dynamic, as technology, regulations, and sector norms continuously evolve. If Annehem decides to complete a new full company assessment as required at the end of three years, we will use an updated methodology incorporating the latest sector information at that time.

Investors should note that our assessment is based on data reported or estimated by the company and has not always been verified by a third party. We analyse revenue, operating costs and investments, however there is typically not an explicit link between sustainability and financial data[6]. Our shading often requires allocating line items in financial statements to projects or products, for this we rely on the company's internal allocation methods. In addition, there are numerous ways to estimate, measure, verify and report e.g., data on energy use and emissions, which may make direct comparisons between companies or regulatory criteria difficult and somewhat uncertain.

Nasdaq Green Designation

CICERO Shades of Green confirms that Annehem meets the requirements for Nasdaq Green Equity Designation set out in the Nasdaq Green Equity Principles.

In 2023, 74% of Annehem's turnover came from assets with some Shade of Green, exceeding the 50% threshold for green activities for company turnover. The sum of opex and capex allocated a Shade of Green is 80%. This exceeds the 50% threshold for investments, defined as the sum of capex and opex. In 2023, Annehem had no turnover assessed shaded Red, meeting the threshold of less than 5% of the company's turnover being derived from fossil fuel activities.

In addition, this report provides transparency on alignment of the company's activities with the EU Taxonomy and transparency on the company's EU Taxonomy

The mitigation criteria in the EU taxonomy includes specific thresholds for the category relevant to Annehem, which is the Acquisition and ownership of buildings. Comments on alignment are given in the table below, and detailed thresholds, NACE-codes and likely alignment with DNSH criteria are given in Appendix 2.

Shades of Green considers that Annehem currently fulfil the minimum social safeguards of the EU Taxonomy. The company assesses key social risks and reports that it is currently exposed to low risks related to sub-contractors.

Overall, we find likely shares of portfolio alignment with the EU Taxonomy as follows:

Table 5: Overall EU Taxonomy alignment

Overall EU Taxonomy alignment (Substantial contribution + DNSH + minimum safeguards)	Revenue	OPEX	CAPEX
Total share eligible (activities covered by criteria)	100%	100%	99%
Total share likely aligned to all criteria	41%	22%	55%

Table 6: Summary of alignment to Acquisitions and ownership of buildings (NACE Code L68)

Eligibility	Assessment from 2023	Updated comments on alignment for 2024

[6] Most accounting systems do typically not provide a break-down of revenue and investments by environmental impact, and the analysis may therefore include imprecisions and may not be directly comparable with figures in the annual reporting

Activities covered	✓ The eligible share of revenue, opex and capex in 2021 was 93%, 94% and 90% respectively	✓ The eligible share of revenue, opex and capex in 2021 was 100%, 100% and 99% respectively
Alignment		
Activities aligned	✓ 38% of revenue, 21% of operational expenses and 50% of investments are assessed to be likely aligned to the taxonomy criteria.	✓ 41% of revenue, 22% of operational expenses and 50% of investments are assessed to be likely aligned to the taxonomy criteria.
Substantial	**Summary of assessment**	
Mitigation Criteria	✓ Fastighetsägarna[7] has published an updated report defining the top 15 percent of the national building stock in Sweden. ✓ 38% of revenue, 21% of operational expenses and 50% of investments are assessed to be likely aligned to the mitigation criteria ✓ Two of the properties are built after 31 December 2020, where the properties must meet the substantial mitigating criteria set by the activity 7.1 new construction. We find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB). ✓ For properties located in Norway and Finland, there is not enough information to include on alignment as the top 15% of the building stock has not been defined. In Norway, the government has just defined a working group that will define the top 15%. We have found no information that defines the top 15% of the buildings stock in Finland energy wise. ✓ However, as Annehem's properties in Norway and Finland have an EPC label of B it is expected they will be within the top 15% when threshold values are defined. But for now, there is not enough information to conclude on alignment. ✓ All properties are assessed to be likely aligned with the energy management criteria	✓ The same report as last year was used defining the top 15 percent of the national building stock in Sweden. ✓ 54% of revenue, 28% of operational expenses and 55% of capital expenditures are assessed to be likely aligned to the mitigation criteria ✓ Four of the properties are built after 31 December 2020, where the properties must meet the substantial mitigating criteria set by the activity 7.1 new construction. We still find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB). ✓ For properties located in Norway and Finland, there is still not enough information to include on alignment as the top 15% of the building stock has not been defined. ✓ However, we still find it reasonable to believe that as Annehem's properties in Norway and Finland have an EPC label of B it is expected they will be within the top 15% when threshold values are defined. But for now, there is not enough information to conclude on alignment. ✓ All properties are assessed to be likely aligned with the energy management criteria
DNSH-criteria	**Summary of assessment**	
Climate Change Adaptation	✓ **Likely aligned**	✓ **Likely aligned**

[7] Topp 15 och 30% (fastighetsagarna.se)

Terms and methodology

The aim of this analysis is to be a practical tool for investors, lenders and public authorities for understanding climate risk. Shades of Green encourages the client to make this assessment publicly available. If any part of the assessment is quoted, the full report must be made available. Our assessment, including on governance, is relevant for the reporting year covered by the analysis. This assessment is based on a review of documentation of the client's policies and processes, as well as information provided to us by the client during meetings, teleconferences and email correspondence. In our review we have relied on the correctness and completeness of the information made available to us by the company.

Shading corporate revenue and investments

Our view is that the green transformation must be financially sustainable to be lasting at the corporate level. We have therefore shaded the company's current revenue generating activities, as well as investments and operating expenses.

The approach is an adaptation of the Shades of Green methodology for the green bond market. The Shade of Green allocated to a green bond framework reflects how aligned the likely implementation of the framework is to a low carbon and climate resilient future, and we have rated investments and revenue streams in this assessment similarly. We allocate a shade of green to the revenue stream and investments according to how these streams reflect alignment of the underlying activities to a low carbon and climate resilient future and taking into account governance issues.

Shading		Examples
Dark green	Is allocated to projects and solutions that corresponds 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
Yellow	Is allocated to projects and solutions that do not explicitly contribute to the transition to a low carbon and climate resilient future. This category also includes activities with too little information to assess.	Health care services
Red	Is allocated to projects and solutions that have no role to play in a low-carbon and climate resilient future. There are the heaviest emitting assets, with the most potential for lock in of emissions and highest risk of stranded assets.	New oil exploration

In addition to shading from dark green to red, Shades of Green also includes a governance score to show the robustness of the environmental governance structure. When assessing the governance of the company, Shades of Green looks at five elements: 1) strategy, policies and governance structure; 2) lifecycle considerations including supply chain policies and environmental considerations towards customers; 3) the integration of climate considerations into their business and the handling of resilience issues; 4) the awareness of social risks and the management of these; and 5) reporting. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: 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.

In March 2020, a technical expert group (TEG) proposed an EU taxonomy for sustainable finance that included a number of principles including "do-no-significant-harm (DNSH)-criteria" and safety thresholds for various types of activities[8]. In April 2021, EU published its delegated act to outline proposed criteria for climate mitigation and adaptation, which it was tasked to develop after the EU Taxonomy Regulation entered into law in July 2020. Shades of Green has assessed the mitigation criteria in the EU taxonomy that includes specific thresholds for activities relevant for the company[9].

Do-No-Significant-Harm criteria include measures such as ensuring resistance and resilience to extreme weather events, preventing excessive water consumption from inefficient water appliances, ensuring recycling and reuse of construction and demolition waste and limiting pollution and chemical contamination of the local environment, as well as restriction on the type of land used for construction (no arable or forested land).

Shades of Green has assessed potential alignment against the mitigation thresholds and the DNSH criteria in the delegated acts published in April 2021.

In order to qualify as a sustainable activity under the EU regulation 2020/852 certain minimum safeguards must be complied with. The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights. Shades of Green has completed a light touch assessment of the above social safeguards with a focus on human rights and labor rights risks[10]. We take the sectoral, regional and judicial context into account and focus on the risks likely to be the most material social risk.

Our assessment of alignment against the EU Taxonomy is based on a desk review of the listed source documents against the Taxonomy Delegate Act and following our own shading methodology.

[8] Taxonomy: Final report of the Technical Expert Group on Sustainable Finance, March 2020. TEG final report on the EU taxonomy (europa.eu)

[9] taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

[10] S&P Global Ratings Shades of Green is in the process of further developing its assessment method to ensure that it encompasses the object and purpose of the minimum safeguards.

Appendix 1: Referenced documents list

Document Number	Document Name	Description
1	Company assessment Annehem 10Dec2021	Original Company Assessment from 2021
2	Company Assessment Annehem 2022	Updated Company Assessment from 2022

Appendix 2: About Shades of Green

S&P Global Ratings Shades of Green 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.

Shades of Green Company Assessments indicate the greenness of a company by providing a shading of revenues, operating costs and capital expenditures, as well as an assessment the company's governance structure. Shades of Green also provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green, sustainability and sustainability-linked bond investments. Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. Shades of Green is independent of the company being assessed, 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. Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of assessments.

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ESG Assessment Tool of the Year - Ratings

Environmental Finance
Bond Awards 2023 Winner
External assessment provider of the year

External Assessment Provider of the Year

Appendix 3: EU Taxonomy criteria and alignment

Acquisition and ownership of buildings (7.7)

<table>
<tr><td>Framework activity</td><td colspan="3">Green buildings</td></tr>
<tr><td>Taxonomy activity</td><td colspan="3">7.7 Acquisition and ownership of buildings (NACE Code L68)</td></tr>
<tr><td></td><td>EU Technical mitigation criteria</td><td>Comments on alignment</td><td>Alignment</td></tr>
<tr><td>Mitigation criteria</td><td>• Substantial contribution to climate change mitigation

Acquisition and ownership of buildings, eligible if:

• For buildings built before 31 December 2020, the building has at least Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.
• Where the building is a large non-residential building it is efficiently operated through energy performance monitoring and assessment.

For buildings built after 31 December 2020, buildings are eligible if:

• The Primary Energy Demand is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation. The energy performance is certified using an Energy Performance Certificate (EPC).</td><td><u>Relevant contextual information</u>

✓ Fastighetsägarna[11] has published an updated report defining the top 15 percent of the national building stock in Sweden.

✓ Buildings built after 31 December 2020 must meet the substantial mitigating criteria set by the activity 7.1 new construction. We find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB).

✓ For properties located in Norway and Finland, there is not enough information to include on alignment as the top 15% of the building stock has not been defined. In Norway, the government has just defined a working group that will define the top 15%. We have found no information that defines the top 15% of the buildings stock in Finland energy wise.</td><td>The eligible share of revenue, opex and capex in 2023 was 100%, 100% and 99% respectively

41% of revenue, 22% of operational expenses and 55% of investments are assessed to be likely aligned</td></tr>
</table>

[11] Topp 15 och 30% (fastighetsagarna.se)

		✓ However, as Annehem's properties in Norway and Finland have an EPC label of B it is expected they will be within the top 15% when threshold values are defined. But for now, there is not enough information to conclude on alignment. ✓ All properties are assessed to be likely aligned with the energy management criteria	
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps[12]: **(a)** screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime; **(b)** where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; **(c)** an assessment of adaptation solutions that can reduce the identified physical climate risk. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.	<u>**Information provided by the issuer**</u> • Annehem performed an in-depth climate risk and vulnerability analysis in 2022, with a 2100 year perspective including scenarios RCP 2.6 and RCP 8.5. The analysis was performed for 82% of the portfolio value. Based on the analysis, an adaption plan with structural challenges including property-specific areas to focus on has been developed. Identified measures will be included in maintenance plans for properties. • The in-depth analysis has been done for all properties aligned to the substantial contribution criteria	**Likely aligned**

[12] The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.

	For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.		

This report does not constitute a rating action.