

WÄSTBYGG

Green Finance Framework

MAY 2021

Tallspinnaren in Mölnlycke

WÄSTBYGG

1. Introduction

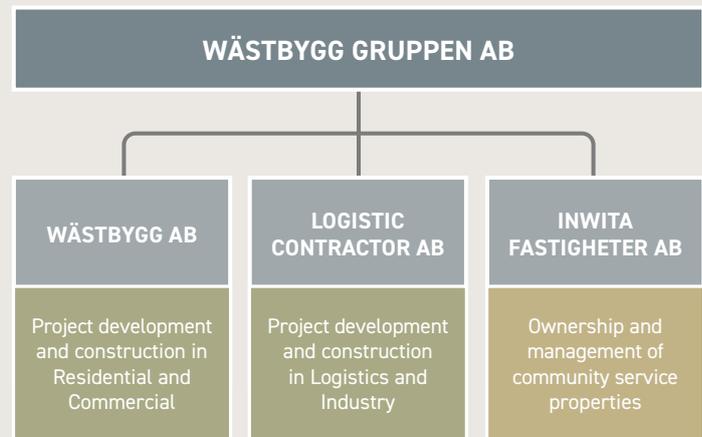
1.1 ABOUT WÄSTBYGG

Wästbygg Gruppen AB ("Wästbygg" or the "Company") was founded in Borås in 1981 as a local construction company. Today, Wästbygg is a construction and project development company that has long been well established in the most expansive markets in Sweden. The Company has offices in Gothenburg, Stockholm, Malmö, Borås, Jönköping, Helsingborg and Varberg, and is also represented via the group company Logistic Contractor in the Nordic neighbours Norway, Denmark and Finland.

Wästbygg is listed on Nasdaq Stockholm as of 13 October 2020. The listing contributed with financial strength to increase investment in the Company's product development operations and continue building up a portfolio of self-developed properties in the group company Inwita Fastigheter AB.

The Company focuses on the three segments Residential, Commercial (where community service properties are included) and Logistics and Industry. Within each segment, Wästbygg works with both contract assignments and project development.

OVERVIEW, THE WÄSTBYGG GROUP



RESIDENTIAL

Wästbygg is primarily building apartment properties, both tenant-owned apartments and rental apartments. Some residential projects are built under Wästbygg's own project development company, and some are built for municipal and private clients. The Company also develops and builds its own residential projects. In the production currently in progress, there is a clear predominance of external assignments. The long-term ambition is to increase the proportion of self-developed residential projects to about 50 %.

COMMERCIAL

The Commercial segment primarily builds retail properties, offices and community service properties. The majority of the projects are construction assignments for external clients. The company also develops and builds its own commercial projects. Wästbygg's commercial operations are predominantly focused on the three metropolitan regions and on the Company's other office locations. In cases where commercial projects are carried out elsewhere, it is primarily for repeat customers.

LOGISTICS AND INDUSTRY

Operations in Wästbygg's Logistics and Industry segments are conducted in the group company Logistic Contractor ("LC"), with operations in Sweden, Norway, Denmark and Finland. The Company specialises in developing and building large logistics and industrial facilities designed for rational handling and large-scale operations in logistics and light manufacturing. LC takes on construction and development projects. If the client wants to rent rather than own, Wästbygg helps finding a strong long-term owner.

1.2 WÄSTBYGG'S SUSTAINABILITY CONTRIBUTION

Wästbygg's business concept is to develop sustainable, modern and efficient homes, commercial properties and logistics and industry facilities in mutual trust with clients. The Company takes the mission as community developers very seriously. Within Wästbygg's area of activity, the Company aims to contribute to a more sustainable society – ecologically, socially and economically – and thereby improve people's living environments. Updated information and figures on the Company's sustainability performance can be found in the Annual Report (Sw. "Års- och hållbarhetsredovisning") and on Wästbygg's webpage.

FOSSIL-FREE BY 2030

Wästbygg works towards making operations fossil-free by 2030 in the areas of electricity, heat, transportation, and waste. To achieve this, Wästbygg conducts annual surveys of own climate emissions and has developed an action plan including concrete tools for working towards the goals. Together with several industry colleagues, Wästbygg has signed the "Roadmap for Fossil-Free Competitiveness" (Sw. "Färdplan för fossilfri konkurrenskraft") for the construction sector, which includes the whole value chain including materials. The strength of the roadmap is that it is developed by actors in the entire value chain, which means that all

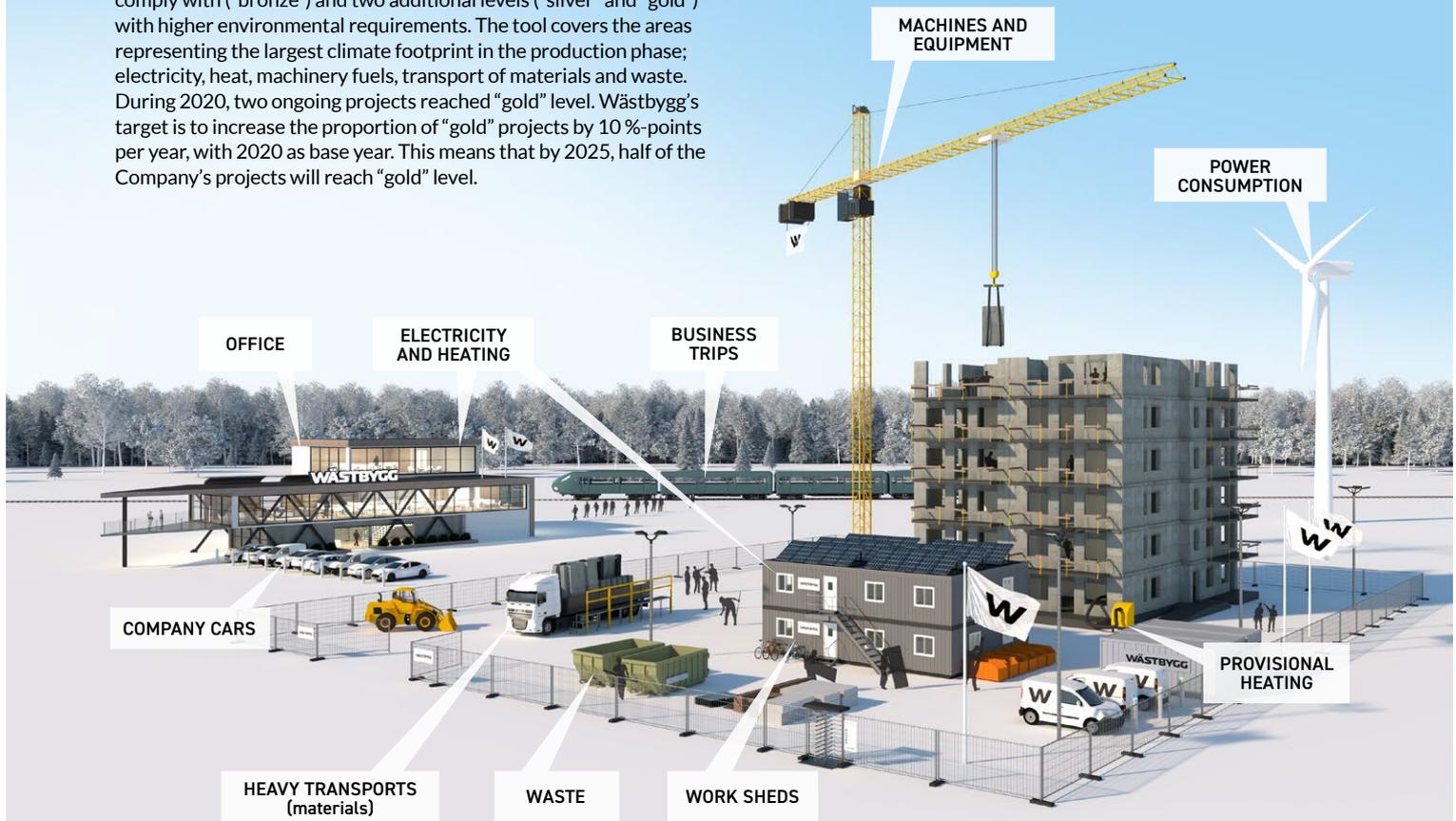
aspects are included. In 2019, the Company also signed LFM30, an initiative working towards a climate neutral construction and engineering sector in Malmö by 2030 (Sw. "Lokal färdplan för en klimatneutral bygg- och anläggningssektor i Malmö 2030").

SUSTAINABILITY GOVERNANCE

Wästbygg's group management is ultimately responsible for the sustainability work and goal fulfilment. The work is driven and coordinated by the staff functions within Sustainability, QEW (quality, environment and work environment, Sw. "KMA"), HR and the Finance department based on Swedish legislation, the Company's policies and guidelines and the ISO-certified management system. Wästbygg supports the UN Global Compact, the ILO's core conventions and the OECD's guidelines for multinational companies. In cases where the Company works with environmentally certified construction, for example Miljöbyggnad, BREEAM and Nordic Swan Ecolabel (Sw. "Svanen"), Wästbygg takes additional considerations into account. In 2020, Wästbygg decided that all self-developed projects shall be environmentally certified. From before, Wästbygg has certified all self-developed condominiums (Sw. "bostadsrätter") according to Nordic Swan Ecolabel.

WÄSTBYGG'S CONSTRUCTION SITES

In 2020, Wästbygg implemented "Climate-Smart Construction Site" (Sw. "Klimatsmart byggarbetsplats"), a tool to reduce the Company's climate footprint. Through Climate-Smart Construction Site, Wästbygg has established a minimum level that all projects shall comply with ("bronze") and two additional levels ("silver" and "gold") with higher environmental requirements. The tool covers the areas representing the largest climate footprint in the production phase; electricity, heat, machinery fuels, transport of materials and waste. During 2020, two ongoing projects reached "gold" level. Wästbygg's target is to increase the proportion of "gold" projects by 10 %-points per year, with 2020 as base year. This means that by 2025, half of the Company's projects will reach "gold" level.



Electricity and heat

Wästbygg seeks to minimize energy use, minimize the use of fossil fuels and increase the share of electricity stemming from renewable sources. For example, for temporary construction heating, which accounts for a large part of the Company's energy use, Wästbygg connects to the local district heating network when possible. Further, since 2012, Wästbygg has owned a wind power plant located outside Falkenberg on the west coast of Sweden. In addition to the electricity produced at the wind power plant, Wästbygg purchases eco-labelled electricity from Varberg Energi.

Transportation

Transportation covers everything from the staff's travels to material deliveries to and from construction sites. When it comes to the staff's travels, the Company has a travel policy favouring trains for business trips. Digital aids were in place and were used even before the pandemic, but 2020 has further pushed the Company towards increased use of digital communication. When it comes to transport of materials, Wästbygg actively works to convey the Company's targets to suppliers and increase the share of renewable fuels used in transportation.

Machinery fuels

On the construction sites, machines running on electricity are chosen if such alternatives exist. Excavators, loaders, and other work vehicles often use fossil fuels. The Company works towards increasing the proportion of fossil-free fuels.

Materials

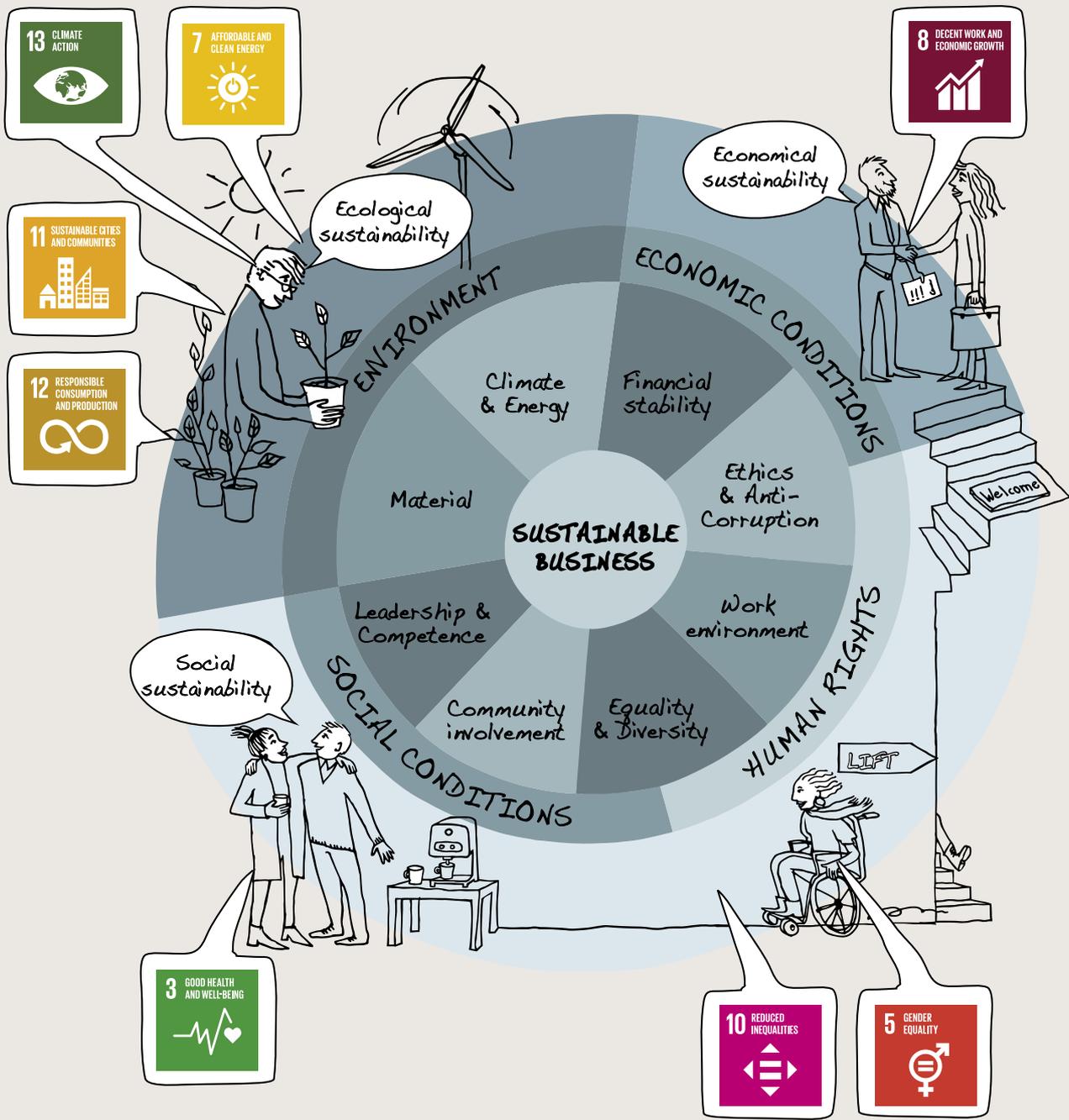
During the design-stage, Wästbygg focuses on reducing material waste, energy-efficient solutions, environmentally friendly materials, and on creating a healthy indoor environment. Wästbygg's long-term target is to minimize the amount of waste and to create a circular process where more recycled materials are used. Wästbygg's target is for 90 % of all waste to be sorted.

The climate footprint of materials is best determined by conducting life cycle analyses that investigate the environmental impact from raw material extraction to manufacturing, transportation, use, life, and recyclability. Wästbygg has internal expertise relating to climate calculations and has prepared for future legal requirements in the area. Further, the Company has participated in spreading knowledge internally and within the industry about LFM30's more comprehensive climate calculation methodology.

Environmentally certified construction

Wästbygg has expertise within the common certification schemes in the Swedish market; Miljöbyggnad, BREEAM, Nordic Swan Ecolabel and Green Building. In autumn 2017, Wästbygg received the Nordic Swan Ecolabel's basic license, which means that the Company can certify all self-developed condominiums according to the Nordic Swan Ecolabel. Building according to the Nordic Swan Ecolabel's criteria results in low energy use, healthy indoor environment, and guarantees that no environmentally hazardous substances are used. In 2020, Wästbygg decided that all self-developed properties will be environmentally certified.

In addition to building according to the above-mentioned environmental certification schemes, Wästbygg works with additional requirements set by clients such as "environmental adapted construction Gothenburg" (Sw. "Miljöanpassat byggande Göteborg"), solutions for stormwater, and production of renewable energy. The Company also builds according to its own concept "Boaktiva" that promotes social sustainability and sharing economy in self-developed projects. The "Climate-Smart Construction Site"-tool also set requirements for climate footprint during the production phase.



SUSTAINABLE DEVELOPMENT GOALS

In 2015, world leaders agreed to 17 Global Goals (officially known as the Sustainable Development Goals or SDGs). These goals have the power to create a better world by 2030, by ending poverty, fighting inequality and addressing the urgency of climate change, using a peaceful and sustainable development on both a global and a national scale.

Eight of these SDGs are found in Wästbygg's sustainable report.

1.3 THE GREEN FINANCE FRAMEWORK

The establishment of this Green Finance Framework (the “Framework”), focusing on green buildings, will enable Wästbygg and its subsidiaries to finance its contribution towards a low-carbon and climate resilient future.

This Framework will apply for both green debt and equity instruments as described in below sections.

1.3.1 GREEN DEBT INSTRUMENTS

When establishing the terms for green debt instruments, Wästbygg has sought to comply with the Green Bond Principles (“GBP”)¹ and Green Loan Principles (“GLP”)², as well as the current market practice. The Framework is applicable for issuance of green bonds (incl. hybrid bonds), and other types of debt instruments such as loans, revolving credit facilities, commercial papers, etc., where net proceeds will be applied to finance or re-finance projects and assets with clear environmental benefits, as defined in this Framework.

1.3.2 GREEN EQUITY INSTRUMENTS

Green equity instruments in this Framework are applicable solely for the shares of the Company.

As such, methodology for shading a company’s shares as green (or brown) is based on a holistic analysis of governance for sustainability, including an assessment of a company’s revenues, operating expenditures and/or investments. To be able to label shares as green a majority (>50 %) of the company’s revenues, operating expenditures and/or investments need to be classified as green in addition to a solid sustainability governance demonstrated by the company.

This Framework includes an assessment of Wästbygg’s entire company profile in accordance with the above described criteria. This Framework will apply to all shares, both outstanding and future shares, as long as a valid company assessment provided by the external part is publicly available on the Company’s homepage.



1.3.3 EU TAXONOMY ALIGNMENT

Wästbygg has started to explore what the EU Taxonomy will mean for the Company’s activities. This includes evaluating its activities substantial contribution to environmental objectives and compliance with the technical screening criteria. The Company’s preliminary assessment suggests that its activities contribute to the environmental objective: climate change mitigation.

In order to comply with the EU Taxonomy’s technical screening criteria for new buildings, new buildings (built after 31 December 2020) need to have a primary energy demand (“PED”) that is 10 % lower than the current Nearly Zero-Energy Buildings (“NZEB”) requirement in the relevant member country. Wästbygg has high ambitions to align new construction with this criteria, and will report annually on the development.

Existing properties or acquisitions of buildings built before 31 December 2020 need to have at least Energy Performance Certificate (“EPC”) A, or, as an alternative, be within top 15 % of the national or regional building stock demonstrated by adequate evidence to comply with the EU Taxonomy’s technical screening criteria. As of 2020, Wästbygg does not have any self-managed properties in its portfolio.

Energy saving renovations for existing properties that result in buildings lowering their PED with 30 % will also comply with the EU Taxonomy’s technical screening criteria. Currently, Wästbygg does not have any assets within this particular category but will make sure only renovations leading to 30 % reduction in PED are defined as green.

It is further anticipated that activities related to energy efficiency, such as installation of solar panels, extension of district heating and cooling, are to be classified as sustainable according to the EU Taxonomy.



¹ Green Bond Principles published in June 2018 are voluntary process guidelines for issuing green bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/> Guidelines.

² Green Loan Principles published in March 2018 are voluntary process guidelines for issuing green loans established by Loan Markets Association (“LMA”), https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

2. Green debt instruments

2.1 USE OF PROCEEDS

An amount equivalent to the net proceeds from Wästbygg's green debt instruments shall be used to finance or re-finance projects or assets providing distinct environmental benefits ("Green Eligible Assets"). Since Wästbygg's main activity is to construct and develop properties, the majority of the use of proceeds will be used for new financing. The financing will support the development of all three of Wästbygg's segments. The Company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying its Green Eligible Assets.

The value of Green Eligible Assets is two-folded. It consists of i) properties under development based on the estimated project value (properties are subject for completion within 24 months), and ii) properties for own management based on the market value of such assets reported in the balance sheet.

GREEN ELIGIBLE ASSETS

The real estate sector is the single largest energy consuming sector in the EU, responsible for about 40 % of total energy usage and 36 % of total carbon emissions³. Investing in green and energy efficient buildings thus play a key role in the energy transition. Green Eligible Assets relevant for use under the Framework include the below category.

Green and energy efficient buildings

Properties that either have or with the objective to receive:

- i. Miljöbyggnad Silver, Nordic Swan Ecolabel or an equivalent energy performance level from another well recognized certification scheme which is subject for evaluation and approval from the CFO of Wästbygg, the Head of Sustainability and, in some cases, the CEOs of Wästbygg's subsidiaries; or
- ii. An energy performance at least 20 % below the applicable national building regulation, such as Boverket's Building Regulations ("BBR"); or
- iii. An EPC of class A or B; or
- iv. Major renovations resulting in reduced energy consumption of at least 30 %

2.2 SELECTION OF PROCEEDS

2.2.1 SELECTION OF GREEN ELIGIBLE ASSETS

Wästbygg wants to contribute to the social and environmental goals connected to the SDGs. Wästbygg puts a special focus on the reduction of emissions and the abandonment of fossil fuels. More information on Wästbygg's sustainability objectives are available in Section 1.2.

The evaluation and selection process for Green Eligible Assets is a key process in ensuring that the amount equivalent to the net proceeds from green debt instruments is allocated to assets and activities which meet the criteria in the Framework.

The selection of Green Eligible Assets is managed by the CFO of Wästbygg, the Head of Sustainability and, in some cases, the CEOs of Wästbygg's subsidiaries. All decisions are made in consensus, and that applies to the selection process of Green Eligible Assets as well.

A list of Green Eligible Assets is kept by the Finance Department and the Head of Finance is responsible for keeping this list up to date. The list of Green Eligible Assets is monitored on a regular basis during the term of the green debt instruments to ensure that the proceeds are sufficiently allocated to Green Eligible Assets.

2.2.2 EXCLUSIONS

The proceeds of Wästbygg's green debt instruments will not be used to finance either fossil fuel energy generation, nuclear energy generation, weapons and defence industries nor potentially environmentally negative resource extraction, gambling or tobacco.

2.3 MANAGEMENT OF PROCEEDS

Equivalent to the net proceeds from Wästbygg's green debt instruments will be tracked by using a spreadsheet where all issued amounts of green debt instruments will be inserted. The spreadsheet will contain the list of Green Eligible Assets mentioned in Section 2.1. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 2.4.

All green debt instruments issued by Wästbygg will be managed on a portfolio level. This means that a particular green debt instrument will not be linked directly to one (or more) pre-determined Green Eligible Assets. The company will keep track and ensure there are sufficient Green Eligible Assets in the portfolio. Assets can, whenever needed, be removed or added from/to the Green Eligible Assets' portfolio.

Any unallocated proceeds temporary held by Wästbygg will be placed on the Company's ordinary bank account or in the short term money market. However, no unallocated proceeds can be invested in companies associated with fossil fuels.

2.4 REPORTING

To enable investors, lenders, and other stakeholders to follow the development of the assets and projects funded by green debt instruments, a Green Finance Report⁴ will be made available on the Company's website. The Green Finance Report will include an allocation report and an impact report and will be published annually as long as there are green debt instruments outstanding.

ALLOCATION REPORT

- Total amount of green debt instruments outstanding
- Total amount of unallocated proceeds (if any)
- Share of proceeds used for categories described in Section 2.1
- Examples of relevant Green Eligible Assets

IMPACT REPORTING

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

Green and energy efficient buildings

- i. Information on the energy usage in kWh/sq. m./year for own properties
- ii. Estimated annual greenhouse gas emissions in the construction phase and/or for own management of properties (tCO₂e)
- iii. Energy performance certificate class, if any
- iv. Type of certification including level, if any (e.g. Miljöbyggnad Silver, Nordic Swan Ecolabel, etc.)

³ EU Taxonomy Report: technical Annex March 2020, https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

⁴ Green Finance Report will cover green equity instruments as well conditioned there are outstanding green shares

3. Green equity instruments

3.1 DEFINING GREEN REVENUES, OPERATING EXPENDITURES AND INVESTMENTS

Revenues, operating expenditures and investments related to the below defined green buildings are identified as green:

Properties that either have or with the objective to receive:

- v. Miljöbyggnad Silver, Nordic Swan Ecolabel or an equivalent energy performance level from another well recognized certification scheme; or
- vi. An energy performance at least 20 % below the applicable national building regulation, such as Boverket's Building Regulations ("BBR"); or
- vii. An EPC of class A or B; or
- viii. Major renovations resulting in reduced energy consumption of at least 30 %

REVENUES AND OPERATING EXPENDITURES

According to segment reporting, revenues for 2020 amounted SEK 3,801m, which is a reduction of 3 % relative to 2019. Despite a small decline in volume, operating profits amounted to SEK 254m, which is regarded as an increase relative to 2019's SEK 192m. A key factor behind the strong result is the Company's increased focus on project development. During 2020, the Company sold eight self-developed projects divided between five logistics facilities, two residential projects and one commercial property. The ability to generate own business will be especially important as competition increases in the construction market. The revenue and operating expenditures from green buildings can be found in the table below and amounted to 65 % of total revenue and 66 % of total operating expenditures.

REVENUES & OPERATING EXPENDITURES (SEKm)	2020
Total revenues	3 801
- whereof related to green buildings	2 471
- share % green	65 %
Total operating expenditures	3 547
- whereof related to green buildings	2 341
- share % green	66 %

INVESTMENTS

Being a construction and project development company, Wästbygg's investments are relatively small. Total investments during 2020 amounted to SEK 60m and was affected by investments in properties of SEK 53m. The property investments was linked to the construction of the Kv Håggen sheltered housing in Halmstad, which is considered a green building and is being built for own ownership in the group company Inwita Fastigheter AB. The remaining 7m was other investments that also can be regarded as green. 100 % of investments are thus regarded as green in 2020.

3.2 BUSINESS PLAN AND FUTURE FINANCIAL POSITION

Going forward, the Company will continue to focus on its three segments; Residential, Commercial and Logistics and Industry. As these segments have different customers and belong to different markets, Wästbygg has experienced that the business cycles differ between the segments. This helps secure a diversified and stable revenue stream. Wästbygg works with contract assignments as well as its own project development. The ambition is to have a 50-50 distribution between the two categories, but this distribution may change over time subject to market conditions.

At the end of 2019, Wästbygg established Inwita Fastigheter AB, which will represent a separate business area. Through this company, Wästbygg will own and manage self-developed properties with a primary focus on community service properties, i.e. elderly care and other care homes, schools and preschools.

Wästbygg's overall financial objectives

- Growth (revenue) should be 10 % over time, but always considering good profitability
- The operating margin (EBIT) should exceed 6 % in the long term
- The equity/asset ratio over time shall not be less than 25
- The Company targets to provide its shareholders with a dividend of 40 % of the net profit

REVENUES, OPERATING EXPENDITURES & INVESTMENTS

As Wästbygg's portfolio of properties for own management grows, revenues from rental properties is expected to increase. However, it is expected that the main contributor to overall revenues will continue to stem from construction and project development in the upcoming years. The share of revenues from green buildings is expected to increase since Wästbygg intends to environmentally certify all self-developed properties going forward. Operating expenditures is expected to follow the development in revenues. Regarding the share of investments in green buildings, it is expected to remain at high levels as the construction of properties for long-term self-management are also planned to be certified according to one of the established environmental certification schemes.

3.3 REPORTING

Wästbygg commits to regular reporting at least on an annual basis as long as there are green equity instruments outstanding. The Company will strive to report consistent with definitions of sustainable activities available in the EU Taxonomy at every point of time. The reporting will be published at the Company's homepage and will include the below information for the total project portfolio:

- Total revenue whereof revenue related to green buildings as defined in Section 3.1
- Total operating expenditures whereof operating expenditures related to green buildings as defined in Section 3.1
- Total investments whereof investments related to green buildings as defined in Section 3.1
- Type of certification and level of certification, energy use per m² for own properties and/or estimated annual CO₂ emissions for the total project portfolio in the construction phase (tCO₂e)

4. External review

To confirm the transparency and robustness of Wästbygg's Green Finance Framework, it is reviewed by an external party. CICERO Shades of Green has provided the following:

- A second party opinion on green debt instruments
- A company assessment of Wästbygg's revenue, operating expenditure, investments, and governance structure

The second party opinion and company assessment by CICERO Shades of Green are available on Wästbygg's website, together with this Framework.

WÄSTBYGG

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