

WALLENSTAM



Green Bond Framework

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This document (the “Green Bond Framework” or “Framework”) contains information on Wallenstam (“Wallenstam”) and its issuance of notes with added environmental criteria (the “Green Terms”). Any such issuance by Wallenstam that includes the Green Terms in its associated financing documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be designated as a Green Bond (“Green Bond”). Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. Furthermore, all parties are advised to review the applicable risk factors in the relevant loan documentation, prospectus or information memorandum. Any issuance of notes will be subject to the version of the Green Terms in the associated loan documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Framework on Wallenstam’s website.

Investors and third parties are advised to conduct an independent evaluation of the relevance and adequacy of the information in this Framework and for making such other investigations considered necessary prior to entering into any of the types of transactions or arrangements where the Green Terms would be applicable, for instance regarding the adherence to current and future regulation, standards or market practices such as the Green Bond Principles, the forthcoming European Green Bond Standard or The EU Taxonomy.

Background

Introduction

When the UN's Agenda 2030 was adopted, the world's countries came together to limit global warming to well under 2 degrees. However, research shows that carbon emissions and global warming are continuing to increase, which is resulting in climate change both in the short and long term.

Wallenstam works in a sector that accounts for a significant share of the total carbon footprint in society. As a property company, we bear a great responsibility, which is the reason we are working actively both in our new construction and management operations to reduce our carbon footprint. We are doing this, among other ways, through the work with our four climate targets, and by continuing to focus on our five prioritized goals within Agenda 2030.

This is Wallenstam

Wallenstam is a building and construction company that was founded in Gothenburg in 1944 by Lennart Wallenstam. In 1984, the company was listed on the stock exchange and today it is listed on the Large Cap segment of Nasdaq Stockholm. Hans Wallenstam was appointed CEO in 1991 and is the largest shareholder in the company.

Wallenstam is one of the few property companies that survived the property crisis in Sweden in the 1990s. Soon after the turn of the millennium, the company resumed its construction operations under its own management, which had been dormant since the mid-1970s. In the early 2000s, the company started an investment in renewable energy by constructing and owning its own wind turbines. This investment meant that Wallenstam, in 2013, became the first property company in Sweden to be self-sufficient in renewable electrical energy.

Wallenstam is both a construction company and a property management company, with extensive experience of urban development. The company owns and builds residential properties in attractive growth areas, primarily in the Stockholm and Gothenburg regions and has an ambition to create districts where people want to live, stay in and visit. The company's commercial properties are mainly located in the inner city of Gothenburg. Wallenstam primarily builds rental apartments for its own management. Through cost-efficient development and construction, successful letting and efficient management, we create value growth. Profits are reinvested and used to further develop the business. We want to contribute to a good standard of living for many people by producing housing and developing safe and lively city districts. The company believes it is important to have a variety of forms of housing in society and we safeguard the rental apartment as a form of accommodation.

The work in Wallenstam is governed overall by policies and guidelines and by decision-making and authorization procedures. These governing documents are essential for clearly defining the company's standpoints and working methods for the entire organization. Wallenstam's Code of Conduct is based on the company's core values – respect, commitment and progress – and sum up the Group's expectations in relation to suppliers and partners. The goal is to have a sustainable and commercial commitment in everything we do.

Sustainability at Wallenstam

Wallenstam wants to contribute to a better society, today and for future generations. For us, sustainability is about pursuing responsible enterprise. We achieve this by taking responsibility for the impact we have on society and by creating solutions that contribute to a long-term positive development. We believe that integrated sustainability work and strong social engagement go hand in hand with long-term profitability. The sustainability work also contributes to more committed employees, more secure investors and more satisfied customers – for this reason, sustainability is a core part of our business.

The practical and day-to-day sustainability work is based on the company's sustainability policy and sustainability strategy as well as the implemented climate targets. The sustainability work covers all parts of the operations, where the company's managers have a responsibility for driving the sustainability work. Outcomes are followed up and regularly reported to Group Management and the Board. The CEO is ultimately responsible for the work with the material aspects and risks that are prioritized in Wallenstam's sustainability work.

Climate targets

As an actor in a sector which has a major carbon footprint, we have both a responsibility for and an opportunity to contribute to reduced emissions. To achieve this, Wallenstam has adopted four climate targets, which shall reduce the company's emissions from both our construction and management, where the greatest challenge lies in the construction operations. Wallenstam has an ambition to ensure that all new production is environmentally certified.

Wallenstam has four climate targets that aim to reduce the company's CO₂ emissions. In addition, we have produced an action plan containing 55 items that can help us to achieve the four targets. The goals apply until 2023, when the present business plan expires.

- Reduce CO₂ emissions from the construction operations by 10 percent per square meter. (Scope 3)
- Reduce CO₂ emissions from the properties' energy consumption by 15 percent per heated square meter. (Scope 1 & 2)
- Reduce the properties' residual waste by 10 percent per square meter. (Scope 3)
- Carry out business trips using electric car, train or via completely carbon-neutral and biofuel-based air travel. (Scope 3)

Apart from the company's four climate targets, Wallenstam has chosen to prioritize five global goals in the UN's Agenda 2030. The goals that we are focusing on in our sustainability work are goal 5 *Gender equality*, goal 7 *Affordable and clean energy*, goal 8 *Decent work and economic growth*, goal 11 *Sustainable cities and communities* and goal 13 *Climate action*. The goals are connected to areas that constitute natural parts of our operations.

Sustainability work

Renewable energy

Wallenstam attaches great importance to limiting climate and environmental impacts in the production, operation and management of properties. Our investment in renewable energy was one of our earliest steps in reducing our carbon footprint. We are self-sufficient in renewable energy through our own wind turbines whose production covers our own and our tenants' consumption. As a complement to our wind power, we are also installing solar cells in our properties in cases where the right conditions exist.

Energy efficiency improvements

Wallenstam is working continually on improving efficiency, both during new production and in the existing holdings. We are equipping many apartments with temperature sensors, modernizing district heating substations and carrying out optimization work such as adjustment of heating systems. An energy saving innovation that we have investigated is heat recovery from the properties' wastewater. We have already installed this technology in some of our properties, for instance in Kvillebäcken, Gothenburg.

Concrete recycling and optimized material choice

To reduce our carbon footprint in our new production, climate calculations are performed in the planning stage in several of our projects. Based on these calculations, more climate-friendly material choices can be made. In addition, design optimizations can be carried out to reduce the quantity of material if possible. A successful example is our Bersån project in Uppsala where by using climate-improved concrete, we have managed to reduce our carbon footprint by about 15 percent.

Recycling

Working with recycling is resource-efficient and one of our first full-scale recycling projects was the temporary market hall at Östermalmstorg square in Stockholm. The market hall was completely reused and gained a new life in Mölnlycke as a padel hall with a restaurant. The fixtures and fittings from the market hall and all the materials were reused, recycled or sold.

Tenants' waste

Wallenstam is working continually to improve the possibilities for sorting at source in our properties, including by supplementing environmental rooms with additional sorting units and providing clothing collection facilities. Work is also ongoing to inform our tenants in order to reduce residual waste.

Biological diversity

To benefit biological diversity, we are carrying out a number of initiatives. For example, we are equipping properties with small bird nesting boxes, insect hotels, wood mould boxes and beehives. In addition, we are also building green walls and sedum roofs in properties where possible.

Mobility solutions and transports

In order for our tenants to use practical and environmentally-friendly transport solutions, we are offering various mobility solutions. For example, in the urban development project Kallebäcks Terrasser, those who live and work in the area have access to a car pool, bicycle pool with cargo and electric bikes and cycling studios, among other things. We are currently installing recharging possibilities for electric vehicles both in new production and in certain existing properties.

Wallenstam's own car pool, which the employees can use for car-bound business trips, consists exclusively of electric cars. In addition, electric bikes are available for shorter business trips.

Climate risks

The work on managing climate risks is ongoing both in new construction projects and in the management of existing properties. During new construction, the possible consequences of a changing climate are considered and dealt with. In the properties that are located in vulnerable locations, increased volumes of rainfall are handled using pumps and check valves, among other ways. We ensure that roofs and hardened surfaces on the properties can handle large amounts of rainfall during a short period. In order to handle increased water flows, for example, collection reservoirs are built in the form of stone cisterns underground. Water protection equipment is also placed in properties in vulnerable locations.

Research and development

We actively participate in research and development within urban development, construction and management, where we support and collaborate with, for example Safer Sweden (Tryggare Sverige) and Johanneberg Science Park. Wallenstam's Innovation Council is working on creating new sustainable business opportunities and the results from our different projects become solutions in the housing of the future and town planning.

Flexible office solutions have become a natural part of the cityscape and in the Swedish office market, particularly in the large cities. In addition, the company sees a need for new forms of housing, such as coliving apartments, a modern form of collective housing. In light of this, Wallenstam has chosen to become a joint owner of Convendum and Colive.

To promote and ensure sustainable energy systems, Wallenstam has also become a joint owner of Ferroamp, a company that develops new energy solutions, for example, to control the properties' electrical systems. We are currently using their installations and units in parts of our new production operations.

Social responsibility

Since the company was founded, Wallenstam has been keen to contribute to society, and collaborate with aid organizations. We want to fight social exclusion and create districts where everyone can feel safe and a sense of belonging. We believe that supporting youth activities in the local communities where we operate is a recipe for success. For this reason, we participate in many local projects, which focus in particular on helping young people to have active leisure time. Cooperation and support mainly occur through sponsorship and through non-commercial collaborations, i.e. donations. On an annual basis, 1 percent of Wallenstam's income from property management shall go to these non-commercial collaborations.

We want to work preventively to ensure that our tenants feel secure in their home, in their workplace and in the areas where they live or work. Wallenstam's security department works actively with security in our properties, for example through lighting, door reinforcers and cameras. They also work on promoting security and handling suspected cases of domestic violence. In addition to this, we also collaborate with other property owners, the police, public authorities, and with organizations that in different ways are working to ensure security such as Huskurage and local initiatives.

Reporting standards

Wallenstam has reported its sustainability work since 2006 and reports according to Global Reporting Initiative (GRI) since 2010. We also report our emissions of greenhouse gases and other climate-related data to the CDP (Carbon Disclosure Project). In addition, Wallenstam supports the UN's Global Compact initiative.

The EU Taxonomy

The financial and capital markets are imposing clear requirements in the sustainability field, which we see, for example, in the upcoming EU taxonomy. Wallenstam welcomes the regulation as it creates clarity in the industry which increases transparency and enables comparison.

Wallenstam's business is clearly defined according to two articles in the EU taxonomy, the article related to energy production and the article related to construction and real estate activities. However, Wallenstam is not covered at present by a legal reporting requirement as the company has less than 500 employees.

We have reviewed and made assessments relating to the entire operations and our assets based on the information and the interpretations currently available regarding the taxonomy, and we will report according to the regulation even though it is not required of us at present.

Sustainable financing

In 2020, Wallenstam decided that all bonds issued shall be green bonds. Green bank loans via both Swedish banks and the European Investment bank and green bonds are used to finance our wind turbines, our environmentally certified properties and properties that have energy class B or better.

As part of our continued sustainability work, and after the decision to only issue green bonds, we are now opting to update our green framework.

Hans Wallenstam
CEO

Susann Linde
CFO

Karin Mizgalski
Head of Sustainability

Green Bond Framework

This Green Bond Framework is aligned with the 2021 ICMA Green Bond Principles¹. Wallenstam recognises that the market for Green Bonds will continue to develop, not least due to the upcoming standard for Green Bonds within the EU, the European Green Bond Standard, entering into force. Wallenstam will closely monitor the development of the market and update the Green Bond offering from time to time to reflect current best market practices.

Wallenstam has worked together with Handelsbanken to develop this Green Bond Framework. Wallenstam acknowledges the recommendation in the Green Bond Principles of appointing an external reviewer for heightened transparency. Cicero has provided a second opinion on the Framework, which is publicly available on Wallenstam's website.

The structure of this Framework is built on the Green Bond Principles four core components:

1. Use of proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Green terms

1. Use of proceeds

Allocation of proceeds



An amount equal to the net proceeds from Green Bonds will be used by Wallenstam, to in whole or in part finance or refinance investment that promote the transition to low-carbon, climate resilient and sustainable economies as well as environmental and ecosystem improvements. Such assets ("**Eligible Green Projects and Assets**" or "**Green Projects and Assets**") must comply with the categories and criteria below. Wallenstam operates in the Swedish market, the net proceeds will therefore be used exclusively to finance or refinance investments in Sweden. Some of the net proceeds will be allocated to existing projects and assets, however the long-term ambition is to allocate the majority of the net proceeds to new projects and assets (defined as projects and assets financed within 12 months from completion). The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting. The combined allocated amount to a specific Green Asset, by one or several sources of financing with specified use of proceeds, may not exceed its value.



Exclusions

Green financing will not be allocated or linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

¹ Green Bond Principles June 2021 (with June 2022 Appendix 1)

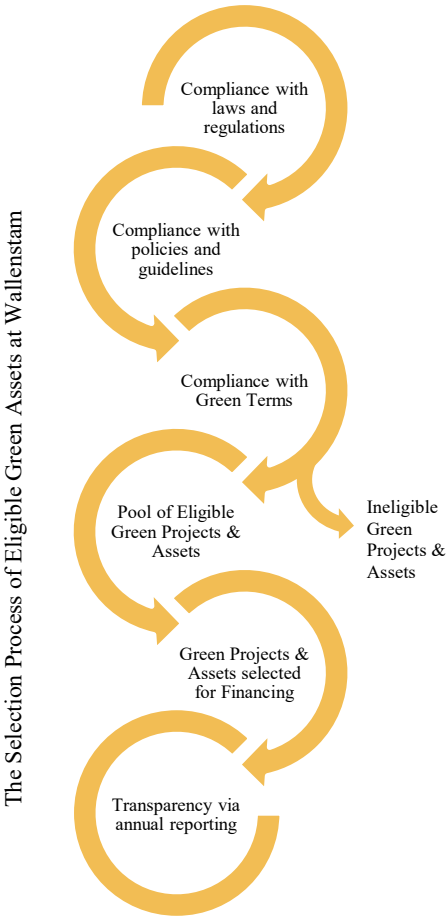
Eligible Green Assets

GBP Categories	Eligible Green Activities	Main Environmental Objective	UN Sustainable Development Goals (SDGs)
Green Buildings	<p>Financing of buildings that meet the following criteria:</p> <ul style="list-style-type: none"> • Development, acquisition, major renovation or otherwise completed properties that have, or will, receive (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification of Miljöbyggnad “Silver” or better as well as 20 % lower energy use than required by the applicable national building code (BBR) 	Climate change mitigation	
Renewable Energy	<p>Financing of investments in renewable energy production as well as supporting infrastructure such as:</p> <ul style="list-style-type: none"> • Wind power <ul style="list-style-type: none"> ○ Financing of investments in wind power farms. Investment activities could include for instance development, operation and maintenance of Wallenstam’s wind farms such as boosting of turbines, capacity-increasing modifications and upgrades • Solar power installations • Emission-free geothermal heating and cooling installations • Related infrastructure investments such as grid connections and electric substations, either on an existing building or as a stand-alone investment 	Climate change mitigation	

<p>Clean Transportation</p>	<p>Financing of electric transportation vehicles as well as supportive infrastructure such as</p> <ul style="list-style-type: none"> • Charging stations • Bicycle garages • Pedestrian walkways • Bicycle lanes • Other investments that support and emphasize the use of clean transportation solutions 	<p>Climate change mitigation</p>	
<p>Energy Efficiency</p>	<p>Financing of investments in the existing portfolio of buildings that target a lower overall energy use and a reduced environmental footprint. This could include, for instance:</p> <ul style="list-style-type: none"> • The installation of heat pumps, geothermal heating/cooling, energy efficient lighting, IT-technology (monitoring, efficiency management and remote operation), energy efficient windows, battery storage or an upgraded ventilation system <p>Only directly associated expenditure (e.g. material, installation and labour) is eligible for financing. Wallenstam will ascertain the following:</p> <ol style="list-style-type: none"> High estimated energy savings in the targeted area (minimum 30% in reduction of Primary Energy Demand) Minimize long term negative climate impact and potential rebound effects Minimal negative climate impact from the technology used 	<p>Climate change mitigation</p>	

2. Process for Project Evaluation and Selection

A group with representatives from Wallenstam’s business units will identify and nominate projects and assets within the eligible categories to a Business Council consisting of members from the Senior Management at Wallenstam including CFO, Technical Director and Sustainability Manager among others. The Business Council was established in 2019 in connection with Wallenstam’s first Green Bond Framework. The Business Council will evaluate the nominated projects and assets, and ensure compliance with the Green Terms. Furthermore, the Business Council will review information about the assets and evaluate the overall environmental impact, which includes life cycle considerations, potential rebound effects, resilience considerations and adherence to at least one of the Environmental Objectives. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Wallenstam. A consensus decision by the council is required to approve the Eligible Projects and Assets before any allocation of net proceeds. Decisions by the council will be documented. To ensure legitimacy in this process, a list of all Eligible Projects and Assets that meet the Green Terms will be kept by Wallenstam. The list will be used as a tool to determine if there is a current or expected capacity to issue a Green Bond. Furthermore, the Business Council is responsible for signing off on the forthcoming reporting under the Framework as outlined under the section Reporting.



3. Management of Proceeds

An amount equal to the net proceeds of any issue under the Green Bond Framework will be credited to a dedicated account (the “**Green Account**”) or otherwise tracked by Wallenstam (the “**Green Portfolio**”). Deductions will be made from the Green Portfolio by an amount corresponding to the financing or refinancing of Eligible Projects and Assets that have met the Green Terms, or to repay a Green Bond. If a Project or Asset no longer qualifies according to the Green Terms or if the underlying Project or Asset is divested or lost, the funds will be returned to the Green Portfolio. Funds may be reallocated to other Projects and Assets that meet the Green Terms during the term of any Green Bond. The Treasury Department is responsible for keeping a record of the purpose of any change in the Green Portfolio and ensure that the combined funds directed towards a specific Green Asset, by one or several sources of Green Financing does not exceed its value. If the Green Portfolio has a positive balance the unallocated funds may be invested or utilised by Treasury in accordance with Wallenstam’s internal sustainability policy.

External Review

Wallenstam acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of net proceeds allocation. The allocation of net proceeds will be verified by Wallenstam’s external auditor. For further information, see the “Annual Review” section under Reporting.

4. Reporting

Wallenstam will publish an annual report on its website (www.wallenstam.se) that will detail the allocation of green bond net proceeds and adherence to the Green Terms (the “Reporting”). The first such Reporting is expected to take place in April and will be available in English. The Reporting will contain a list of all Eligible Projects and Assets that have been financed with Green Bonds, a summary of Wallenstam’s activities in the past year as pertains to Green Bonds as well as information regarding each Eligible Project and Asset’s adherence to the relevant Applicable Criteria.

Allocation Disclosure

- Wallenstam will provide allocation reporting for each of the Use of Proceeds categories in the Framework. Emphasis will be placed on providing examples and allocation reporting to single projects based on size.
- The sum of outstanding Green Bonds
- The outstanding amount of all active Green Bonds
- The Green Account balance (including any short term investments)
- The proportion of net proceeds allocated to new investments
- All data is to be as of the end of the previous year

Impact Reporting

The Reporting will contain a disclosure of asset level performance indicators. The reporting will strive to disclose the impact based on the Green Financing’s share of the total investment. For projects and assets that are not yet operational, Wallenstam will strive to provide estimates of future performance levels. Wallenstam will emphasize energy production/savings and greenhouse gas reductions as the most relevant performance metrics for most project types. The metrics below are examples of indicators that are likely to be used by Wallenstam in the forthcoming Reporting.

GBP Category	Indicators and Metrics
Green Buildings	<ul style="list-style-type: none"> i. Environmental certification. ii. Energy consumption disclosed by absolute consumption (kWh) and intensity (kWh per square meter) per year. iii. Calculated carbon footprint disclosed by absolute emissions (tons) and intensity (kg per square meter) per year. The greenhouse gas emissions are monitored annually by Wallenstam in accordance with the Greenhouse Gas Protocol. iv. For buildings that qualifies according to an Energy Performance Certificate (EPC): the level of the EPC
Renewable Energy	<ul style="list-style-type: none"> i. For an investment in a stand-alone renewable energy project the energy production (MWh per year), installed capacity (MW) and the estimated yearly reduction of greenhouse gas emissions. ii. For an installation of a renewable energy in a real estate asset the percent of the asset’s total energy use supplied by the installation, the energy production (kWh per year) and the estimated yearly greenhouse gas reduction. iii. For an investment in a stand-alone renewable energy project the energy production (kWh per year) and the estimated yearly greenhouse gas reduction.

Clean Transportation	<ul style="list-style-type: none"> i. Annual absolute (gross) greenhouse gas emissions in CO2e. ii. Annual absolute (gross) greenhouse gas reductions in percentage. iii. The number of installed charging stations for electric vehicles. iv. The number of financed electric vehicles. v. The number of bicycles that a bicycle garage can accommodate.
Energy Efficiency	<ul style="list-style-type: none"> i. Each yearly report will include an example of an energy efficiency investment that has been financed with green net proceeds (if such a project has been financed). Given the number of project types that qualify under the category the KPI's will not be disclosed beforehand in the framework. Wallenstam will emphasize energy and carbon savings, where applicable, as relevant performance metrics.

Annual Review

The external auditor of Wallenstam, or a similar party appointed by Wallenstam with the relevant expertise and experience, will investigate and report whether the net proceeds have been allocated to the Eligible Green Projects and Assets that Wallenstam has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Wallenstam’s website (www.wallenstam.se/greenbonds).

Dedicated Website

Wallenstam will provide a dedicated webpage for Green Bonds at its website (www.wallenstam.se/greenbonds) where the investors can find information regarding Wallenstam’s Green Bonds, including:

- The Green Bond Framework
- The Second Opinion
- The Reporting
- The Annual Review
- Investor Presentations

Definitions

BBR means the Swedish national building regulation set up by the National Board of Housing, Building and Planning, determining the regulatory requirements and offering general advice regarding all stages of planning, construction and operations of real estate assets.

EU TAXONOMY is a part of the EU Action plan on Sustainable Finance. It is a classification system that defines sustainable economic activities with the purpose of facilitating capital aggregation for a green and sustainable transition. To be aligned with the EU Taxonomy an activity must contribute substantially to at least one of the six defined environmental objectives and “do no significant harm” to the other five.

MILJÖBYGGNAD Silver means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

Policy documents that govern Wallenstam’s Environmental and Sustainability work

Name	Publicly available
Annual Report 2021 (English)	Yes
Code of Conduct (English)	Yes
Guidelines on working environment (Swedish)	No
Guidelines on equality (Swedish)	No
Guidelines on procurement and purchasing in relation to construction contracts (Swedish)	No
Guidelines on whistleblower service (Swedish)	No
Company-wide principles for quality assurance of contractors and contract management (Swedish)	No
Wallenstam Base (Swedish) - consists of several governing documents, which contain specifications and tools for ensuring that our newly constructed rental apartments are designed and produced based on long-term operating efficiency	No