

Second-Party Opinion

Heba EU Green and Sustainability-Linked Financing Framework



Evaluation Summary

Use of Proceeds Instruments

Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics considers the Heba EU Green and Sustainability-Linked Financing Framework credible, impactful and aligned with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023. The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles and will lead to positive environmental impacts.

Sustainability-Linked Instruments

Sustainability-Linked Bond Principles 2023

Sustainability-Linked Loan Principles 2023

Sustainalytics is of the opinion that the Heba EU Green and Sustainability-Linked Financing Framework aligns with the Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023. Overview of KPIs and SPTs:

KPI	Strength of the KPI	SPT	Ambitiousness of SPT
KPI 1: GHG emissions from Heba's own operations (scope 1 and 2)	Very Strong	Reduce GHG emissions from Heba's own operations (scope 1 and 2) by: SPT 1.1: 41% by 2024 SPT 1.2: 43% by 2025 SPT 1.3: 44% by 2026 SPT 1.4: 46% by 2027 SPT 1.5: 47% by 2028 SPT 1.6: 49% by 2029 SPT 1.7: 50% by 2030	Highly Ambitious
KPI 2: GHG emissions from Heba's construction activities (scope 3)		Reduce GHG emissions from construction activities (scope 3) by: SPT 2.1: 10% by 2024 SPT 2.2: 20% by 2025 SPT 2.3: 30% by 2026 SPT 2.4: 35% by 2027 SPT 2.5: 40% by 2028 SPT 2.6: 45% by 2029 SPT 2.7: 50% by 2030	

Evaluation Date	February 15, 2024
Issuer/Borrower	Stockholm, Sweden
Location	Sweden

The UoPs and SPTs contribute to the following SDGs:



Alignment with the EU Taxonomy

Sustainalytics has assessed the Heba EU Green and Sustainability-Linked Financing Framework for alignment with the EU Taxonomy. The criteria defined in the Framework's use of proceeds category map to seven activities in the EU Taxonomy. Sustainalytics is of the opinion that the criteria defined in the Framework's use of proceeds category align with the applicable technical screening criteria for Substantial Contribution (SC) and Do No Significant Harm (DNSH) of the EU Taxonomy. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent¹ opinion on the alignment of the Framework with current market standards. As part of this Second-Party Opinion, Sustainalytics assessed:

- The Framework's alignment with: the Green Bond Principles 2021 (with June 2022 Appendix I) and the Green Loan Principles 2023 (the "Use of Proceeds Principles"); the EU Taxonomy Climate Delegated Act; the Sustainability-Linked Bond Principles 2023 and the Sustainability-Linked Loan Principles 2023 (the "Sustainability-Linked Principles");^{2,3}
- The credibility and anticipated positive impacts of the use of proceeds and SPTs;
- The issuer's sustainability strategy, performance and sustainability risk management.

As part of this engagement, Sustainalytics held conversations with various members of Heba's management team to understand the sustainability impact of its business processes and the core components of the Framework. Heba representatives have confirmed that:

- (1) They understand it is the sole responsibility of Heba to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information;
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Heba. Sustainalytics' Second-Party Opinion assesses alignment of the Framework with current market standards but does not provide any guarantee of alignment nor warrants alignment with any future versions of such standards. The Second-Party Opinion is valid for issuances aligned with the Framework until one of the following occurs: i) a material change to the external benchmarks against which targets were set; ii) a material corporate action (such as a material M&A or change in business activity) that has a bearing on the achievement of the SPTs or the materiality of the KPIs.

For use of proceeds instruments, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider. This Second-Party Opinion:

- addresses the anticipated impacts of eligible projects but does not measure their actual impact. Reporting and measuring impact of projects financed under the Framework is the responsibility of the Framework owner.
- opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

For sustainability-linked instruments, the Second-Party Opinion:

- addresses the anticipated SPTs of KPIs but does not measure progress on the KPIs. Measuring and reporting on KPIs is the responsibility of the Framework owner.

No information Sustainalytics provides under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related circumstances that Heba may have disclosed to Sustainalytics for the purpose of this Second-Party Opinion.

¹ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

² The bond-related principles, guidelines and handbooks are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

³ The loan-related principles and guidelines are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association, and are available at: https://www.lsta.org/content/?_industry_sector=guidelines-memos-primary-market

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Introduction

Heba Fastighets AB (“Heba” or the “Company”) is a Sweden-based real estate company that owns, manages and operates primarily residential real estate in the Stockholm region, Uppsala and Mälaren. Headquartered in Stockholm, Sweden, as of December 2023, the Company owns 56 residential rental properties and public buildings and has 45 employees.

Heba has developed the Heba EU Green and Sustainability-Linked Financing Framework dated February 2024 (the “Framework”) under which it intends to issue use of proceeds green bonds, loans, commercial papers, and sustainability-linked bonds and loans. Heba engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s alignment with the Green Bond Principles 2021, Green Loan Principles 2023, EU Taxonomy 2021 Delegated Act, Sustainability-Linked Bond Principles 2023, and Sustainability-Linked Loan Principles 2023. The Framework will be published in a separate document.⁴

Under use of proceeds instruments, the proceeds will finance or refinance, in whole or in part, existing and future green building projects intended to reducing GHG emissions in the real estate sector in Sweden. The Framework defines eligibility criteria in one category:

1. Green Buildings

Under sustainability-linked instruments, the coupon adjustment or a premium payment of the bond or loan will be tied to the achievement of sustainability performance targets for two KPIs related to GHG emissions of the Company.

Heba has defined the following KPIs and SPTs:

Table 1: KPI Definitions

KPI	Definition
KPI 1: GHG emissions from Heba’s own operations (scope 1 and 2)	<p>The KPI measures absolute scope 1 and 2 GHG emissions in tonnes of CO₂ equivalent (tCO₂e). The Company calculates its scope 1 and 2 GHG emissions in accordance with the GHG Protocol Corporate Standard.⁵</p> <p>Scope 1 and 2 GHG emissions include direct and indirect emissions resulting from Heba’s vehicle fleet and purchased energy. Scope 2 emissions are calculated using the market-based method.⁶</p>
KPI 2: GHG emissions from Heba’s construction activities (scope 3)	<p>The KPI measures scope 3 GHG emissions intensity in kilograms of CO₂ equivalent per square metre of gross floor area (kgCO₂e/m² GFA) from construction activities based on a life cycle analysis covering the following stages: i) product (A1-A3), which includes extraction and upstream processing of materials, transportation and manufacturing impacts; and ii) construction (A4-A5), which includes transport of manufactured products to the construction site.</p> <p>The Company calculates its scope 3 GHG emissions in accordance with the GHG Protocol Corporate Standard.</p> <p>Construction activities refer to the GHG Protocol Standard’s Category 2: Capital Goods.</p>

⁴ The Heba EU Green and Sustainability-Linked Financing Framework is available on Heba’s website at: <https://www.hebafast.se/artikel/gron-finansiering>

⁵ Greenhouse Gas Protocol, “A Corporate Accounting and Reporting Standard”, at: <https://ghgprotocol.org/corporate-standard>

⁶ Greenhouse Gas Protocol, “GHG Protocol Scope 2 Guidance”, (2022), at: https://ghgprotocol.org/sites/default/files/2022-12/Scope2_ExecSum_Final.pdf

Table 2: Past Performance and SPTs

KPI 1: GHG emissions from Heba’s own operations (scope 1 and 2) (tCO₂e)

2018 (baseline)	2019	2020	2021	2022	2023	2024 SPT 1.1	2025 SPT 1.2	2026 SPT 1.3	2027 SPT 1.4	2028 SPT 1.5	2029 SPT 1.6	2030 SPT 1.7
1206	946	912	839	886	N/A	711 (-41%)	687 (-43%)	675 (-44%)	651 (-46%)	639 (-47%)	615 (-49%)	603 (-50%)

KPI 2: GHG emissions from Heba’s construction activities (scope 3) (kgCO₂e/m²)

2023 (baseline)	2024 SPT 2.1	2025 SPT 2.2	2026 SPT 2.3	2027 SPT 2.4	2028 SPT 2.5	2029 SPT 2.6	2030 SPT 2.7
310 ⁷	279 (-10%)	248 (-20%)	217 (-30%)	202 (-35%)	186 (-40%)	171 (-45%)	155 (-50%)

⁷ Heba confirmed with Sustainalytics that the baseline figure refers to Swedish National Board of Housing, Building and Planning’s reference value for new construction in Sweden, derived from an analysis of the climate impact from the construction phase of close to 70 buildings in Sweden.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment of bonds and loans with Use of Proceeds Principles

Sustainalytics is of the opinion that the Heba EU Green and Sustainability-Linked Financing Framework is credible, impactful and aligns with the Green Bond Principles 2021 and Green Loan Principles 2023 (the "Use of Proceeds Principles"). Sustainalytics highlights the following elements of the Heba EU Green and Sustainability-Linked Financing Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Sustainalytics' Assessment
Green Buildings	Construction of new buildings	<ul style="list-style-type: none"> - The Framework requires that new buildings built after 31 December 2020 meet one of the following criteria: i) have or will receive one of the following certifications: Miljöbyggnad "Silver", Nordic Swan Ecolabel, or equivalent; and ii) achieve a net primary energy demand (PED) that is at least 20% lower than the local threshold set for nearly zero-energy building requirements.⁸ - In addition, the Framework requires that: i) all new buildings conduct a life cycle analysis of the global warming potential (GWP), and ii) new buildings completed in 2023 and onwards comply with an allowed level of embodied carbon.⁹ - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
	Renovation of existing buildings	<ul style="list-style-type: none"> - Heba intends to finance renovation costs of existing buildings that lead to a reduction of PED by at least 30% compared to pre-renovation levels, or where the building meets the applicable requirements for "major renovations"¹⁰. - Sustainalytics notes that the EU Taxonomy¹¹ requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the EPBD, which varies among EU Member States. Sustainalytics therefore encourages Heba to report on the actual improvement on primary energy demand performance or energy savings achieved in comparison with the existing building stock in the area or region. - This is in line with market practice.
	Installation, maintenance and repair of energy efficiency equipment	<ul style="list-style-type: none"> - Energy efficiency projects, such as installing electric heat pumps connected to renewable or geothermal energy sources, high efficiency windows, improved thermal insulation, energy efficient lighting, ventilation systems, improved efficiency of electricity heat pumps and the optimization on heating systems. - Heba has confirmed to Sustainalytics that allocation to heat pumps will be limited to those with low-GWP refrigerants, and that a robust

⁸ European Commission, "Nearly zero-energy buildings", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

⁹ Heba has set a maximum amount of embodied carbon in accordance with Swedish National Board of Housing, Building and Planning's report "Reference value for climate impact when constructing buildings", where the limit values applies to the maximum climate impact for modules A1-A5 in kg CO2e/sqm GFA. For residential buildings the regulated limit value is proposed to be 310.

¹⁰ European Parliament, "Directive 2010/31/EU of the European Parliament and of the Council", (2010), at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:153:0013:0035:EN:PDF>

¹¹ European Commission, "EU Taxonomy Delegated Act", at: https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/taxonomy-regulation_en#climate

	refrigerant management system will be in place for leak detection, monitoring and control. - Heba has communicated to Sustainalytics that the Company will report on the estimated or achieved energy efficiency gains. - This is in line with market practice.
Installation, maintenance and repair of charging stations for electric vehicles in buildings	- The installation of charging points specifically for electric vehicles in buildings. Heba confirmed that it will not finance parking infrastructure. - This is in line with market practice.
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	- The installation of smart control systems aimed at reducing energy consumption. - Sustainalytics encourages Heba to report on the estimated or achieved energy efficiency gains, where feasible. - This is in line with market practice.
Installation, maintenance and repair of renewable energy technologies	- Projects to enable renewable energy sources such as geothermal-powered heating and cooling systems and the installation of solar PVs in buildings. - This is in line with market practice.
Acquisition and ownership of buildings	- The Framework requires that existing buildings built before 31 December 2020 meet one of the following criteria: i) have obtained an energy performance certificate (EPC) with energy class A; or ii) belong to the top 15% of the national or regional building stock based on PED. - This is in line with market practice.



Project Evaluation and Selection

- Heba has established a Green Business Council (GBC) which is responsible for the evaluation and selection of projects in accordance with the criteria defined in the Framework. The GBC is led by the Head of Sustainability and is comprised of members of its finance department, the CEO and the CFO.
- The GBC will ensure that projects comply with applicable national laws and regulations, and that environmental and social risks associated with the eligible projects portfolio are addressed. For additional details, refer to Section 2.
- Based on the establishment of the GBC and the presence of environmental and social risk management processes, Sustainalytics considers this process to be in line with market practice.



Management of Proceeds

- The allocation of proceeds requires a majority decision at the GBC, with the Head of Sustainability having veto power. The Treasury department will be responsible for the management of proceeds. Heba will manage net proceeds using a portfolio approach and an updated list of all projects will be tracked by Heba's Treasury Department.
- Heba intends to allocate net proceeds within 36 months. Pending full allocation, net proceeds will be temporarily invested in short-term interest-bearing securities or utilized by the treasury in accordance with Heba's sustainability policy and investment criteria.
- The Company commits to exclude from such temporary holdings any investments in entities with a business plan focused on fossil and nuclear energy generation, research and development in weapons or defence, environmentally negative resource extraction, gambling or tobacco.
- Heba has established a look-back period of up to three years for the refinancing of operating expenses associated with eligible projects.



- Based on a well-defined approach to manage proceeds, including disclosure of an allocation timeframe and temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

Reporting

- Heba intends to report on the allocation and impact of proceeds on an annual basis through a report which will be available on the Company's website.
- Allocation reporting will include details such as examples to single projects based on size, the sum outstanding, the amount and percentage of green financing allocated to financing and refinancing, and specified type and sector of projects, projects that are aligned with the substantial contribution criteria of the EU Taxonomy and compliance with minimum safeguards.
- Impact reporting may include metrics such as the type of green building certification, annual energy savings (in MWh) and the percentage of PED reduction.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability-Linked Principles

Sustainalytics is of the opinion that the Heba EU Green and Sustainability-Linked Financing Framework aligns with the five core components of Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.



Selection of Key Performance Indicators

Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

KPI 1: GHG emissions from Heba's own operations (scope 1 and 2)

The Sustainability Accounting Standards Board (SASB)¹² identifies energy management as a material topic for the real estate industry. SASB notes that real estate assets consume significant amounts of energy, primarily related to space heating, ventilating, air conditioning, water heating, lighting and the use of equipment and appliances.¹³

In terms of applicability, Sustainalytics has taken a combined approach towards assessing the applicability of KPIs 1 and 2, as they collectively address the majority of Heba's total scope 1, 2 and 3 emissions. KPI 1 accounts for 100% of Heba's total scope 1 and 2 emissions and KPI 2 represents 70% of scope 3 emissions derived from construction activities. On a standalone basis, scope 1 and 2 emissions account for approximately 6% of the Company's total emissions in 2022, while scope 3 emissions from construction activities covered under KPI 2 represent 65.8% of total emissions in the same year. Therefore, when considered together, KPI 1 and KPI 2 represent 71.8% of Heba's total GHG emissions as of 2022, denoting a high degree of applicability.

KPI 2: GHG emissions from Heba's construction activities (scope 3)

In 2022, buildings emissions represented a third of total energy-related emissions, including 26% from buildings operations and 7% from embodied carbon emissions associated with the production of materials used for their construction.¹⁴ Once the construction of a building is completed, the embodied carbon remains captured within the structure, limiting any opportunity to reduce such emissions. To reduce embodied carbon and continue the

¹² SASB - IFRS Foundation: <https://www.sasb.org/standards/>

¹³ SASB - IFRS Foundation, "Real Estate", (2023), at: https://d3flraxduht3gu.cloudfront.net/latest_standards/real-estate-standard_en-gb.pdf

¹⁴ IEA, "Buildings", at: [Buildings – Breakthrough Agenda Report 2023 – Analysis - IEA](#)

decarbonization of the real estate sector, companies in the real estate sector need to prioritize selecting appropriate vendors and specifying the right materials.¹⁵

In terms of applicability, scope 3 emissions accounted for 94.2% of Heba’s total scope 1, 2 and 3 emissions and scope 3 emissions from the capital goods category contributed to nearly 70% of the Company’s total scope 3 emissions in 2022.

Based on the above, Sustainalytics considers KPI 2 to be material with a high scope of applicability.

KPI Characteristics

In its assessment of the KPI characteristics, Sustainalytics considers: i) whether the KPI uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of the issuer’s performance on a material environmental or social issue;¹⁶ and iv) whether the methodology can be benchmarked against an external contextual benchmark.¹⁷

KPI 1: GHG emissions from Heba’s own operations (scope 1 and 2)

Sustainalytics considers Heba’s definition and methodology to calculate KPI performance to be clear and consistent with the Company’s historical disclosures. The methodology used to calculate is based on the GHG Protocol Standard. The KPI represents an absolute emissions metric which also lends itself to benchmarking against external emissions reduction trajectories, such as those developed by the Science Based Targets initiative (SBTi). Sustainalytics further considers KPI 1 to be a direct measure of the Company’s performance on material environmental issues related to GHG emissions generated across its operations.

KPI 2: GHG emissions from Heba’s construction activities (scope 3)

Sustainalytics considers Heba’s definition and methodology to calculate KPI 2 to be clear and notes that historical reporting is limited for this KPI. The KPI is measured using a widely recognized methodology to assess scope 3 emissions from the capital goods category for the real estate sector. Furthermore, Sustainalytics considers KPI 2 to be directly linked to the Company’s environmental performance on the material issue of GHG emissions from construction activities. Sustainalytics notes that Heba has set the baseline referring to the reference value of the Swedish National Board of Housing, Building and Planning’s for new construction in Sweden. The KPI represents an intensity emissions metric which also lends itself to benchmarking against external emissions reduction trajectories, such as the one developed by the SBTi.¹⁸

Overall Assessment

Sustainalytics overall considers KPI 1 to be very strong given that: i) it is a direct measure of a relevant and material environmental issue; ii) it follows a recognized clear and consistent methodology that is externally defined; iii) it lends itself to benchmarking against external contextual benchmarks; and iv) it has a high scope of applicability.

Sustainalytics considers KPI 2 to be very strong given that: i) it is a direct measure of a relevant and material environmental issue; ii) it follows a recognized clear and consistent methodology that is externally defined; iii) it lends itself to benchmarking against external contextual benchmarks; and iv) it has a high scope of applicability.

KPIs	Strength of KPIs			
KPI 1: GHG emissions from Heba’s own operations (scope 1 and 2)	Not Aligned	Adequate	Strong	Very strong

¹⁵ KPMG, “Embodied Carbon: The missing half of GHG emissions”, at: <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/esg-embodied-carbon.pdf>

¹⁶ A direct measure refers to a metric selected for the KPI that shows a specific indicator of performance or an outcome on the material ESG issue.

¹⁷ External contextual benchmarks are standards or points of reference established by recognized third-party organizations to facilitate comparability.

¹⁸ SBTi has developed a guidance for buildings which is in a pilot testing phase.

SBTi, “Buildings Sector Science-Based Target-Setting Guidance, at:

https://sciencebasedtargets.org/resources/files/SBTi_Buildings_Guidance_Draft_for_Pilot_Testing.pdf

KPI 2: GHG emissions from Heba's construction activities (scope 3)	Not Aligned	Adequate	Strong	Very strong
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Calibration of Sustainability Performance Targets

Alignment with Heba's Sustainability Strategy

Heba has set the following SPTs for its KPIs:

- SPT 1.1-1.7: Reduce GHG emissions from Heba's own operations (scope 1 and 2) by: 41% by 2024, 43% by 2025, 44% by 2026, 46% by 2027, 47% by 2028, 49% by 2029 and 50% by 2030 from a 2018 baseline
- SPT 2.1-2.7: Reduce GHG emissions from construction activities (scope 3) by: 5% by 2024, 10% by 2025, 15% by 2026, 20% by 2027, 30% by 2028, 40% by 2029 and 50% by 2030 from a 2023 baseline

Sustainalytics considers the SPTs to be aligned with Heba's sustainability strategy (please refer to Section 2 for analysis of the credibility of Heba's sustainability strategy).

SPT 1.1-1.7: Heba has set a decarbonization target of achieving carbon neutrality in its property management by 2030 and across its entire operations by 2045. In 2023, Heba's target of reducing its scope 1 and 2 GHG emissions by 50% by 2030, from a 2018 baseline was validated by the Science-Based Targets initiative for alignment with the 1.5°C decarbonization pathway.

SPT 2.1-2.7: Heba engages with suppliers, partners and industry stakeholders to reduce emissions from indirect scope 3 emissions during new construction and renovation.¹⁹

Strategy to Achieve the SPTs

Heba intends to achieve the SPTs through the following strategy:

SPT 1.1-1.7:

- Heba intends to improve energy efficiency through various initiatives, including optimizing ventilation systems to recover energy used in the properties, changing windows and facades, and adopting integrated energy management systems.
- Additionally, Heba plans to increase renewable energy usage by replacing fossil-used based electricity and heat used in its properties.

SPT 2.1-2.7:

- Heba will implement measures in the initial construction phases to influence design decisions and reduce the carbon footprint of new construction and renovation activities. This involves evaluating and optimizing the construction process and selecting climate-improved materials, such as the concrete used. Additionally, Heba intends to collaborate closely with its suppliers to reduce emissions from construction activities.

Ambitiousness, Baseline and Benchmarks

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science-based references.²⁰

Heba has set the following baselines for the SPTs: i) 2018 for SPT 1 for consistency with the SBTi validated target; and ii) 2022 for SPTs 2 and 3 to align with the latest available data.

SPTs 1.1-1.7: Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and science-based trajectories.

¹⁹ Heba, "Annual Report", (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

²⁰ We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

Heba has set 2018 as the baseline for SPT 1. Sustainalytics recognizes that the market favours a more recent baseline, but notes the Company’s intention to ensure consistency with the SBTi validation.

Regarding historical performance, Heba’s scope 1 and 2 emissions decreased by an annual absolute rate of 6.6% between 2018 and 2022. Achieving the SPTs requires an annual absolute reduction of 4.2% between 2018 and 2030 and annual absolute reduction of 4% between 2022 to 2030, which represent a lower rate of reduction compared to past performance.

In terms of peer comparison, Sustainalytics analysed the targets set by local and global industry peers. In comparison with 11 industry peers, Heba’s scope 1 and 2 GHG emissions targets align with most of its peers.

Additionally, Sustainalytics considers the annual targets for 2024, 2025, 2026, 2027, 2028 and 2029 as an integral part of Heba’s decarbonization strategy to achieve the final 2030 target, which has been validated by the SBTi. This approach aligns with the SBTi’s 1.5°C scenario using the absolute contraction method. As a result, all annual SPTs yield the same assessment outcome as the final SPT. The SBTi has validated SPT 1.7 as aligned with the reduction required to keep global warming within 1.5°C, matching the 4.2% annual rate of GHG emissions reduction.

SPTs 2.1-2.7: Sustainalytics was able to use the following benchmarks to assess ambitiousness: peer performance and science-based trajectories.

Sustainalytics could not accurately rely on Heba’s past performance to assess the ambitiousness of SPTs 2.1-2.7 due to limited historical data on scope 3 emissions intensity from construction activities. Heba confirmed to Sustainalytics that the 2023 baseline figure (310 kgCO₂/m²) refers to the reference value of the Swedish National Board of Housing, Building and Planning for new construction in Sweden, derived from an analysis of the climate impact from the construction phase of nearly 70 buildings in Sweden. Sustainalytics notes that SPTs 2.1-2.7 represent a continuous material improvement on the metric.

In its peer analysis, Sustainalytics assessed a group of 11 peers. Sustainalytics notes that three peers have set absolute scope 3 emissions reduction targets and only one peer has set scope 3 emissions intensity targets measured in tCO₂e per square metre. Sustainalytics notes that a direct comparison of SPT 2 against peers’ targets would be of limited value, due to the variations in the reported emissions metrics. Nonetheless, Sustainalytics considers SPTs 2.1-2.7 to be above similar targets set by peers.

Sustainalytics was able to assess the SPTs against the recently developed trajectory for buildings published by the SBTi, which is still in a pilot phase. Sustainalytics considers that SPTs 2.1-2.7 are aligned with the SBTi’s 1.5°C scenario as the target reduction rates of 10% by 2024, 20% by 2025, 30% by 2026, 35% by 2027, 40% by 2028, 45% by 2029 and 50% by 2030 are above the required by SBTi trajectory of 9.2% by 2024, 16.9% by 2025, 27.3% by 2026, 33.2% by 2027, 38.3% by 2028, 42.9% by 2029 and 45.6% by 2030, from a 2023 baseline.

Overall Assessment

Sustainalytics considers the SPTs to align with Heba’s sustainability strategy and considers Heba’s SPTs 1.1-1.7 to be highly ambitious given that: i) they are below past performance on emissions reduction; ii) they are aligned with the targets set by peers; and iii) they align with the SBTi’s 1.5°C scenario.

Sustainalytics considers SPTs 2.1-2.7 to be highly ambitious given that: i) they are above the targets set by peers; and ii) they align with the SBTi’s 1.5°C scenario.

SPT	Ambitiousness of SPT			
SPTs 1.1-1.7: Reduce GHG emissions from Heba’s own operation (scope 1 and 2) by: 41% by 2024, 43% by 2025, 44% by 2026, 46% by 2027, 47% by 2028, 49% by 2029 and 50% by 2030 from a 2018 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
SPTs 2.1-2.7: Reduce GHG emissions from construction activities (scope 3) by: 5% by 2024, 10% by 2025, 15% by 2026, 20% by 2027, 30% by 2028, 40% by 2029, and 50% by 2030 from a 2023 baseline	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



Financial Characteristics

Heba has disclosed that the financial characteristics of the instruments issued under the Framework, which may include bonds and loans, will be tied to achievement of the selected SPTs. Failure to achieve one of the SPTs will result in coupon margin adjustments or a premium payment based on the transaction-specific documentation. Furthermore, the baseline recalculation will be in accordance with a fallback mechanism and may occur yearly due to acquisitions and divestments. The specific details of the financial mechanisms for each instrument will be specified in the transaction-specific documentation. Heba has also confirmed to Sustainalytics that it will include KPI 1 and KPI 2 in all transactions. Sustainalytics considers these levels of disclosure to be aligned with the SLLP and SLBP.



Reporting

Heba commits to report on its progress on the KPIs and progress towards the relevant SPTs on an annual basis via its Sustainability-Linked Progress Report which will be made available on the Company's website. In case of financing instruments other than bonds, the Company intends to report directly to the relevant lenders or counterparts. The Sustainability-Linked Progress Report will include: i) information of performance using the selected KPIs, including the baseline where relevant; ii) a list of outstanding sustainability-linked bonds; and iii) information on any relevant updates to Heba's sustainability strategy or governance which may impact KPIs. Heba further commits to disclose, when feasible: i) qualitative or quantitative explanations on the contribution of relevant factors to progress on the KPIs, such as mergers and acquisitions; and ii) any updates or proposed guidelines that may affect KPIs and SPTs. These reporting provisions are aligned with the SLBP and SLLP.



Verification

Heba commits to have an external verifier provide limited assurance against each SPT for each KPI annually and the verification will be available publicly on its Sustainability-Linked Progress Report, which is aligned with the SLBP and SLLP.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible green use of proceeds criterion against the relevant technical screening criteria in the EU Taxonomy to determine their alignment with each of the EU Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. Substantial Contribution to an Environmental Objective of the EU Taxonomy
 - The criteria in the eligible category defined in the Framework were identified to be associated with seven activities of the EU Taxonomy. At the time of the assessment, the criteria in both categories align with the applicable SC criteria of the EU Taxonomy.
2. “Do No Significant Harm” Criteria
 - The criteria in the eligible category were assessed as aligned with the 14 applicable DNSH criteria in the seven corresponding EU Taxonomy activities.
3. Minimum Safeguards
 - Based on a consideration of the policies and management systems applicable to the Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s Minimum Safeguards requirements will be met.
 - For Sustainalytics’ assessment of alignment with the EU Taxonomy’s Minimum Safeguards, please see Section 2 below.

Table 1 provides an overview of the alignment of the criteria in the Framework with the applicable SC criteria and DNSH of the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

Framework Criterion	Alignment with EU Taxonomy Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
Construction of new buildings in Sweden	■	■		■	■	■	■	■
Renovation of buildings in Sweden	■	■		■	-	■	■	-
Energy efficiency equipment applied to portfolio of properties	■	■		■	-	-	■	-
Charging stations for electric vehicles applied to portfolio of properties	■	■		■	-	-	-	-
Building automation and control systems applied to portfolio of properties	■	■		■	-	-	-	-
Installation of solar PVs and geothermal heating and cooling systems, as well as related infrastructure applied to portfolio of	■	■		■	-	-	-	-
Acquisition and ownership of buildings in Sweden	■	■		■	-	-	-	-

Legend	
Aligned	■
Partially aligned	◻
Not aligned	⊠
Grey shading indicates the primary EU Environmental Objective	

Section 2: Assessment of Heba’s Sustainability Strategy

Credibility of Heba’s Sustainability Strategy

As part of its materiality assessment conducted in 2023, Heba has identified the following environmental focus areas relevant to its operations and property portfolio: i) improvement of sustainability across the supply chain; ii) increase the building portfolio’s energy efficiency; iii) prioritization of sustainable material and product choices; and iv) achievement of net zero climate impact. For each material topic, Heba has established an underlying goal and continuously monitors progress on such goals. The Company started monitoring scope 3 emissions in 2021. Heba’s management team is responsible for assessing the Company’s performance against its environmental targets and presenting the results to the management team and the board on a quarterly basis. In addition, Heba’s CEO holds the overall responsibility for the Company’s sustainability strategy and compliance with the policies and the code of conduct. Together with the sustainability manager and remaining members of the board, the CEO oversees Heba’s sustainability work.²¹

To decarbonize its operations and property portfolio, Heba has set the following climate-related targets: i) SBTi validated targets for reducing scope 1 and 2 GHG emissions by 50% by 2030 from a 2018 baseline; ii) measure and reduce scope 3 emissions; and iii) achieve carbon neutrality in its entire operations and property portfolio by 2045.²² The Company plans to meet these climate targets by reducing its average energy use from 93 kWh/m² to 77 kWh/m² by 2028. For new construction, Heba aims to achieve an energy performance level that is 20% lower than the current building standards as well as certify all new production according to the Nordic Swan,²³ Miljöbyggnad Silver²⁴ schemes or equivalent. In this context, the Company prioritizes well-insulated windows and walls, and includes different types of energy recovery systems, including recovery of heat from wastewater and from ventilation.²⁵ In addition, Heba plans to continuously reduce its scope 3 emissions by ensuring material recycling and other climate optimization measures, including energy efficient product choices or methods such as climate improved concrete in its renovation and construction activities. In addition, Heba has exclusively offered its tenants sustainable rental contracts since 2022, in which the tenants agree to making sustainable choices, such as purchasing labelled renewable energy and sorting plastic. Furthermore, Heba commits to offering electric vehicle charging facilities across its entire property portfolio by 2030.²⁶

Sustainalytics considers Heba’s EU Green and Sustainability-Linked Financing Framework to be aligned with the Company’s overall sustainability strategy and initiatives and that it will further Heba’s action on its key environmental priorities. Sustainalytics further encourages Heba to report on the progress of its sustainability targets.

Heba’s Environmental and Social Risk Management

Sustainalytics recognizes that the proceeds from debt instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Further, Sustainalytics acknowledges that achieving the SPTs bears environmental and social risks. Some key environmental and social risks possibly associated with the eligible projects and SPTs could include: i) land use and biodiversity issues related to large-scale infrastructure development; ii) waste management, emissions and effluents; iii) occupational health and safety (OHS), iv) product governance; v) community relations; and vi) business ethics.

Sustainalytics is of the opinion that Heba is able to manage and mitigate potential risks through implementation of the following:

²¹ Heba, “Annual Report”, (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

²² Ibid.

²³ Nordic Swan Ecolabel: <https://www.nordic-swan-ecolabel.org/>

²⁴ Sweden Green Building Council, “Miljöbyggnad”, at: <https://www.sgbc.se/certifisering/miljobyggnad/>

²⁵ Ibid.

²⁶ Ibid.

- In the context of land use and biodiversity issues, all projects must comply with the EU Environmental Impact Assessment Directive 2011/92/EU;²⁷ which provides a framework to ensure that land-intensive projects are adequately assessed before they are approved to take appropriate measures to prevent, reduce and offset significant adverse effects on the environment, particularly on soil, species and habitats.²⁸ In addition, projects must adhere to the EU Habitats Directive²⁹ and the EU Birds Directive,³⁰ which are both underlying to the EU's Biodiversity Strategy for 2030 and require EU Member States to conserve the flora and fauna, with a special focus on threatened and endemic species. Such EU directives also require Member States to report on the conservation status of habitats and species, and to impose compensation measures concerning projects that have a negative impact on protected areas.
- Regarding emissions, effluents and waste management, Heba has developed an ISO 14001³¹ certified environmental management system through which the Company assesses, monitors and manages its environmental performance and waste management.³² Heba also assesses its properties' physical climate risks on regular basis.³³ In addition, Heba's Supplier Code of Conduct requires all its suppliers to manage their environmental impact, improve resource efficiency and continuously reduce emissions to air, land and water.³⁴ Regarding waste management, Heba avoids single-used materials and harmful chemicals, and ensures that all construction waste is sorted and prepared for recycling.³⁵
- With regard to OHS, Heba's Sustainability Policy outlines processes to ensure its employees' physical, psychological and social well-being.³⁶ The Company has a dedicated security representative who conducts security tests at least once a year, and who represents employees in cases of work environment complaints. Heba's managers are responsible for overall compliance with the policy through training, identifying risks and potential improvements.³⁷ The Company monitors and evaluates its work environment conditions through employee surveys every two years and assesses data regarding employee satisfaction and well-being.³⁸ Additionally, Heba's Supplier Code of Conduct requires its suppliers to maintain OHS standards through measures such as mandatory accident insurance. Heba's suppliers are also responsible for training its employees on any health-related risks, provide protective equipment and report on any incidents to Heba.³⁹
- With respect to community relations, Heba's sustainability policy highlights the Company's commitment to tenant safety and satisfaction in its properties and outdoor environments.⁴⁰ Heba has committed to achieving a security index above 80% across its properties by establishing property-specific security plans with measurable targets.^{41,42} The Company safety measures include providing cleaning, gardening, sufficient lighting and annual security walks. Heba's local real estate managers regularly monitor the properties' compliance with the agreed safety standards. For any faults or damages in a property, tenants can report it through a residents' app or contact the Company by phone.⁴³ Additionally, Heba carries out customer surveys every two years and six months, and after every renovation or new construction. In addition, Heba supports organizations that aim to improve equality in Heba's neighbourhoods. In this context, in 2023, Heba began to collaborate with the Stockholm Stadmission Housing Agency, an organization that mediates apartments for individuals who struggle with structural homelessness.^{44,45} Heba also continued its partnership with Women's Network, which offers housing for women who have experienced domestic violence.^{46,47}

²⁷ European Parliament, "Directive 2011/92/EU of the European Parliament and of the Council", (2011), at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=celex%3A32011L0092>

²⁸ European Union, "Assessment of the effects of certain public and private projects on the environment", (2014), at: <https://eurlex.europa.eu/legalcontent/EN/TXT/?uri=celex%3A32011L0092>

²⁹ European Commission, "Biodiversity strategy for 2030", at: https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en

³⁰ European Parliament, "Directive 2009/147/EC of the European Parliament and of the Council", (2009), at: <https://eurlex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32009L0147>

³¹ ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html>

³² Heba, "ISO-certifierade miljö- och kvalitetsledningssystem", at: <https://www.hebafast.se/artikel/iso-certifiering>

³³ Heba, "Annual Report", (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

³⁴ Heba has shared the Supplier Code of Conduct with Sustainalytics confidentially.

³⁵ Heba, "Sustainability Policy", (2022), at: <https://www.hebafast.se/Global/DisplayDocument.ashx?guid=cbb10e89-e2b2-4fef-a2c6-30ae20f5101c>

³⁶ Heba, "Sustainability Policy", (2022), at: <https://www.hebafast.se/Global/DisplayDocument.ashx?guid=cbb10e89-e2b2-4fef-a2c6-30ae20f5101c>

³⁷ Ibid.

³⁸ Heba, "Annual Report", (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

³⁹ Heba has shared the Supplier Code of Conduct with Sustainalytics confidentially.

⁴⁴ Heba, "Annual Report", (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

⁴⁵ Stockholms Stadmission, "Stockholms Stadsmissions bobyrå", at: <https://www.stadsmissionen.se/vad-vi-gor/boende/bobyran>

⁴⁶ The Women's Network, "The Women's Network (Kvinnors Nätverk)", at: <https://www.kvinnonet.org/index4.html>

⁴⁷ Heba, "Annual Report", (2022), at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

- Regarding business ethics, Heba's code of conduct⁴⁸ and sustainability policy⁴⁹ outline processes to prevent, detect, manage and report unethical business practices. All of the Company's employees and suppliers receive regular training on the code of ethics. Heba has in place an anonymous and externally managed whistleblower system that is available for employees, partners and tenants.⁵⁰ In addition, the Company offers an opportunity to discuss any ethics-related concerns directly with the CEO.⁵¹ Heba's corporate governance reporting follows the Swedish Corporate Governance Code⁵² and the Annual Accounts Act.⁵³ All projects financed under the Framework will be located in Sweden, which is recognized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance systems, legislation and institutional capacity to mitigate environmental and social risks associated with those projects.⁵⁴

In addition to the above, Sustainalytics has found no major environmental or social controversies related to Heba. Based on these policies and standards, Sustainalytics is of the opinion that Heba has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks that could emerge from the Company's investment processes.

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should comply with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Human and labour rights

Heba has implemented the following policies and procedures aimed at ensuring human and labour rights:

- Heba has established a Code of Conduct for Suppliers, which covers matters related to discrimination, working conditions, forced and child labour, and human rights. The code follows the UN Global Compact Ten Principles, the UN Declaration on Human Rights and the ILO's declaration on Fundamental Rights and Principles at Work. As outlined in the Code, Heba requires its suppliers to evaluate human rights-related risks across the Company's operations. Moreover, suppliers must comply with applicable laws, regulations and standards. Any suspicion of violation of applicable legislation or the code is required to be reported.⁵⁵
- Heba has a due diligence process in place to address human rights issues and supplier risks in the context of new construction projects. Heba expects its suppliers and sub-suppliers to comply with the human and labour rights standards outlined in its Sustainability Policy and Code of Conduct for Suppliers. A whistleblower function is used to detect irregularities.⁵⁶ The Company's overarching Code of Conduct includes a zero-tolerance approach to all forms of discrimination and harassment towards employees. Any violation of the Code of Conduct warrants reporting to the immediate manager. Harassment reports trigger an immediate investigation.⁵⁷

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics has evaluated the performance of Heba in the areas of human and labour rights and has not detected involvement in any significant controversies that would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

Heba has implemented the following policies and procedures on anti-bribery and anti-corruption:

- Heba has processes in place to manage bribery and corruption across the Company's operations. As per its Code of Conduct, this includes yearly employee training in the respective context, as well as a whistleblower process in case of violation of the Code. Further, as per Heba's Code of Conduct for Suppliers, suppliers must comply with business

⁴⁸ Heba has shared its code of conduct confidentially with Sustainalytics.

⁴⁹ Heba, "Hållbarhetspolicy", (2022), at: <https://www.hebafast.se/Global/DisplayDocument.ashx?guid=cbb10e89-e2b2-4fef-a2c6-30ae20f5101c>

⁵⁰ Heba, "Visselblåsning", at: <https://www.hebafast.se/artikel/visselblasning>

⁵¹ Heba has shared its code of conduct confidentially with Sustainalytics.

⁵² The Swedish Corporate Governance Board, "The Swedish Corporate Governance Code", (2015): <https://www.ecgi.global/download/file/fid/10281>

⁵³ Bokföringsnämnden, "K-regelverk", at: <https://www.bfn.se/redovisningsregler/vagledning/k-regelverk/>

⁵⁴ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

⁵⁵ Heba has shared the Code of Conduct for Suppliers with Sustainalytics confidentially.

⁵⁶ Heba Fastighets, "Annual Report 2022", at: <https://mb.cision.com/Main/1260/3739666/1937634.pdf>

⁵⁷ Heba has shared the Code of Conduct with Sustainalytics confidentially.

ethics standards, including any form of corruption, bribery, money laundering or unauthorized restriction of competition.⁵⁸

- Additionally, Heba complies with the Swedish Criminal Code, which includes provisions on corruption and bribery.⁵⁹

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Heba in the area of anti-bribery and anti-corruption and has not detected involvement in any significant controversies that would suggest that the above policies are not being implemented effectively. Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on anti-bribery and anti-corruption in relation to the activities of the Framework.

Based on the above policies, standards and assessments, Sustainalytics is of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 3: Impact of the UoPs and SPTs

Importance of green buildings in reducing GHG emissions in the real estate sector in the EU and Sweden

Buildings are a key contributor of GHG emissions in the EU, accounting for 36% of total GHG emissions, and the largest consumer of energy in the EU, accounting for 40% of total energy consumption.^{60,61} Approximately 35% of the buildings in the EU are more than 50 years old and nearly 75% of the building stock is not energy efficient.⁶² The EU has committed to an emissions reduction target of 55% by 2030 compared to 1990 levels.⁶³ To achieve this goal, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption for heating and cooling by 18% by 2030 compared to 2015.^{64,65} The renovation of buildings to improve energy performance is expected to play a major role in decarbonizing the sector.⁶⁶ To reach the 2030 target, the EU needs to double its annual renovation rate, corresponding to 2-3% of the building stock annually by 2030.⁶⁷ In addition, the Energy Performance of Buildings Directive (EPBD) requires all public buildings developed since 2019 and all new buildings built from 2021 onwards to be nearly zero-energy buildings (NZEB).⁶⁸

Despite the 64% reduction in GHG emissions between 2005 and 2020,⁶⁹ the buildings sector still accounts for approximately 40% of Sweden's energy use and 21% of the country's domestic GHG emissions.^{70,71} Sweden has established a national target of reducing its GHG emissions by 59% by 2030, compared to a 2005 baseline, and achieving net zero GHG emissions by 2045.⁷² The Swedish government has implemented the following measures to decarbonize the buildings sector, contributing to achieve its climate goals: i) improving the energy efficiency of buildings and product supply following the EU's requirements for energy labelling and eco-design;⁷³ ii) limiting the energy consumption of buildings to 90 kWh/m² for single family housing, 85 kWh/m² for apartment blocks and 80 kWh/m² for non-residential premises; and iii) providing training programmes on low-energy buildings to

⁵⁸ Ibid.

⁵⁹ Heba, "The Swedish Criminal Code", at: <https://www.government.se/contentassets/7a2dcae0787e465e9a2431554b5eab03/the-swedish-criminal-code.pdf>

⁶⁰ European Parliament, "Report on maximising the energy efficiency potential of the EU building stock", (2020), at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html

⁶¹ European Commission, "In focus: Energy efficiency in buildings", (2020), at: https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en

⁶² European Commission, "New rules for greener and smarter buildings will increase quality of life for all Europeans", (2019), at: https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en

⁶³ European Commission, "Stepping Up Europe's 2030 climate ambition", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

⁶⁴ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2021), at: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emissions-from-energy/assessment>

⁶⁵ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1603122220757&uri=CELEX:52020DC0662>

⁶⁶ European Commission, "In focus: Energy efficiency in buildings", (2020), at: https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en

⁶⁷ European Climate Neutrality Observatory, "Buildings", at: <https://climateobservatory.eu/building-block/buildings>

⁶⁸ European Commission, "Energy performance of buildings directive", at: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

⁶⁹ European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2023), at: <https://www.eea.europa.eu/ims/greenhouse-gas-emissions-from-energy>

⁷⁰ Blomqvist, S. et al., (2022), "Ten years of energy efficiency—Exploring the progress of barriers and drivers in the Swedish residential and services sector", Energy Reports, at: <https://www.sciencedirect.com/science/article/pii/S2352484722023745>

⁷¹ Boverket, "Utsläpp av växthusgaser från bygg- och fastighetssektorn", (2024), at: <https://www.boverket.se/sv/byggande/hallbart-byggande-och-forvaltning/miljoindikatorer--aktuell-status/vaxthusgaser/>

⁷² International Energy Agency, "Sweden", at: <https://www.iea.org/countries/sweden>

⁷³ European Commission, "Rules and requirements for energy labelling and ecodesign", at: https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/rules-and-requirements_en

stakeholders in the construction sector.^{74,75} Additionally, the country follows the EU’s EPBD with the aim of modernizing the buildings sector, encouraging the construction of energy-efficient buildings and retrofits.⁷⁶

In this context, Sustainalytics is of the opinion that investments in the energy efficiency of buildings are expected to contribute to the decarbonization of the building stock in Sweden and contribute to the EU and Sweden’s climate goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The Framework is expected to help advance the following SDGs and targets:

Use of Proceeds Category and KPIs	SDG	SDG Target
Use of Proceeds: Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
KPI 1 and 2: GHG emissions from Heba’s own operations (scope 1 and 2) and from Heba’s construction activities (scope 3)	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
		7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

Heba has developed the Heba EU Green and Sustainability-Linked Financing Framework under which it will issue green bonds and/or loans and the use of proceeds to finance green buildings. Sustainalytics considers that the projects funded by the green finance proceeds are expected to have provide positive environmental impact.

The Heba EU Green and Sustainability-Linked Financing Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers the Heba EU Green and Sustainability-Linked Financing Framework to be aligned with the overall sustainability strategy of the Company and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 12. Additionally, Sustainalytics is of the opinion that Heba has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the Framework for alignment with the EU Taxonomy’s criteria for Substantial Contribution (SC) to its environmental objectives, Do No Significant Harm (DNSH) and Minimum Safeguards. For more details, please see Section 1 and Appendix 1.

Under the sustainability-linked instruments, Heba intends to tie the coupon/interest rate to the achievements of the following SPTs:

- (1) KPI 1: SPT 1.1-1.7: Reduce GHG emissions from Heba’s own operation (scope 1 and 2) by: 41% by 2024, 43% by 2025, 44% by 2026, 46% by 2027, 47% by 2028, 49% by 2029 and 50% by 2030 from a 2018 baseline
- (2) KPI 2: SPT 2.1-2.7: Reduce GHG emissions from construction activities (scope 3) by: 10% by 2024, 20% by 2025, 30% by 2026, 35% by 2027, 40% by 2028, 45% by 2029 and 50% by 2030 from a 2023 baseline

Sustainalytics considers the KPIs chosen to be very strong given that they: i) are a direct measure of a relevant and material environmental issue; ii) follow a recognized clear and consistent methodology that is externally defined; iii) lend itself to

⁷⁴ Ministry of Infrastructure, “Sweden’s Third National Strategy for Energy Efficient Renovation”, (2020), at: https://energy.ec.europa.eu/system/files/2020-05/se_2020_ltrs_official_translation_0.pdf

⁷⁵ Government Offices of Sweden, “Sweden’s draft integrate national energy and climate plan”, (2020), at: <https://www.government.se/contentassets/e731726022cd4e0b8ffa0f8229893115/swedens-draft-integrated-national-energy-and-climate-plan/>

⁷⁶ European Parliament, “Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency”, (2018), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG

benchmarking against external contextual benchmarks, and iv) have a high scope of applicability. Sustainalytics considers SPTs 1.1-1.7 to be highly ambitious given that they: i) are below past performance on emissions reduction, ii) are aligned with the targets set by peers, and iii) align with the SBTi's 1.5°C scenario. Sustainalytics considers SPTs 2.1-2.7 to be highly ambitious given that they: i) are above the targets set by the peers; and ii) align with the SBTi's 1.5°C scenario. Sustainalytics considers reporting and verification commitments to be aligned with market expectations.

Furthermore, Sustainalytics considers the Heba EU Green and Sustainability-Linked Financing Framework to be aligned with the overall sustainability strategy of the company and that Heba Fastighets AB has adequate measures to manage and mitigate environmental and social risks commonly associated with the activities and projects to be financed under the Framework.

Based on the above, Sustainalytics is confident that Heba Fastighets AB is well positioned to issue green bonds and loans, and sustainability-linked bonds and loans, and that that Heba EU Green and Sustainability-Linked Financing Framework in alignment with the Green Bond Principles 2021, Green Loan Principles 2023, Sustainability-Linked Bond Principles 2023 and Sustainability-Linked Loan Principles 2023.

Second-Party Opinion

Heba EU Green and Sustainability-Linked Financing Framework



Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed the criteria in the Framework against the technical screening criteria for substantial contribution to an environmental objective of the EU Taxonomy that apply to each corresponding activity in the EU Taxonomy.⁷⁷ This appendix describes Sustainalytics' process and presents the outcome of its assessment on the alignment of the criteria in the Framework with the EU Taxonomy's applicable technical screening criteria for substantial contribution (SC) and the applicable "do no significant harm" (DNSH) criteria. Sustainalytics' assessment involves two steps:

Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria in this report.

Table 2 below displays Sustainalytics' mapping process for this report.

Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion in the Framework with relevant criteria in the EU Taxonomy. Alignment with the SC criteria and the DNSH criteria is usually based on the specific criteria defined in the Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards, Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 2, above.)

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

⁷⁷ The EU Taxonomy establishes a list of "environmentally sustainable economic activities" which, where possible, follows the classification of economic activities laid down in the NACE system of economic activities (established by Regulation EC 1893/2006).

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Green Buildings	Construction of new buildings in Sweden	7.1 Construction of new buildings	F41.1, F41.2, F43	Mitigation	Table 3
	Renovation of buildings in Sweden	7.2 Renovation of existing buildings	F41, F43	Mitigation	Table 4
	Energy efficiency equipment applied to portfolio of properties	7.3 Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12	Mitigation	Table 5
	Charging stations for electric vehicles applied to portfolio of properties	7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	Mitigation	Table 6
	Building automation and control systems applied to portfolio of properties	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	Mitigation	Table 7
	Installation of solar PVs and geothermal heating and cooling systems, as well as related infrastructure applied to portfolio of properties	7.6 Installation, maintenance and repair of renewable energy technologies	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28	Mitigation	Table 8
	Acquisition and ownership of buildings in Sweden	7.7 Acquisition and ownership of buildings	L68	Mitigation	Table 9

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution (SC) to an environmental objective for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		7.1 Construction of new buildings	
Corresponding NACE Code		F41.1, F41.2 and F43	
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	<p>Constructions of new buildings for which:</p> <ol style="list-style-type: none"> The Primary Energy Demand (PED),⁷⁸ defining the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.⁷⁹ The energy performance is certified using an as built Energy Performance Certificate (EPC). For buildings larger than 5000 m²,⁸⁰ upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity,⁸¹ and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. 	<ol style="list-style-type: none"> Heba intends to finance buildings with a PED of at least 20% lower than the threshold set for the NZEB requirements in national measures. This exceeds the threshold outlined in the EU Taxonomy. Energy performance is certified using EPC labeling. Heba has confirmed fulfillment of the requirements related to testing for airtightness and thermal integrity, as outlined in the EU Taxonomy mitigation criteria for buildings larger than 5000 m². Heba has confirmed to calculate the life cycle GWP for buildings larger than 5000 m² in accordance with the Swedish Law of Climate Declaration.⁸⁴ 	Aligned

⁷⁸ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁷⁹ Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13)

⁸⁰ For residential buildings, the testing is made for a representative set of dwelling/apartment types.

⁸¹ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.

⁸⁴ Swedish National Board of Housing, Building and Planning, "Climate declaration for new buildings", at: <https://www.boverket.se/en/start/building-in-sweden/developer/rfq-documentation/climate-declaration/#:~:text=The%20act%20on%20climate%20declarations,buildings%20that%20require%20building%20permits.>

	3. For buildings larger than 5000 m ² , ⁸² the life-cycle Global Warming Potential (GWP) ⁸³ of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.		
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned
Sustainable use and protection of water and marine resources	<p>Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to Annex I of the Climate Delegated Act (Please refer to the assessment set out in Appendix 3, Table 14).</p> <ul style="list-style-type: none"> a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b) showers have a maximum water flow of 8 litres/min; c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. <p>To avoid impact from the construction site, demonstrate the activity complies with the criteria set out in Appendix B to Annex I of the Climate Delegated Act. Please refer to the assessment set out in Appendix 3, Table 11.</p>	<p>Heba has confirmed compliance with the water flow requirements as outlined under bullet points a) to d) of the DNSH criteria.</p> <p>For a detailed assessment of specifications laid down in Appendix E, please refer to Table 14.</p> <p>For a detailed assessment against Appendix B, please refer to Table 11.</p>	Aligned
Transition to a circular economy	At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is	The Waste Framework Directive (2008/98/EC) has been transposed into national law in Sweden. ⁸⁷ In line with the Directive, EU member states must achieve 70% of material recovery of non-hazardous, non-soil and stone	Aligned

⁸² For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁸³ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists, or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]): <https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents>, see indicator 1.2 user manual.

⁸⁷ EUR-Lex, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives – National Transposition", at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32008L0098>

	<p>prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.⁸⁵ Further confirm that operators limit waste generation in processes related to construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887⁸⁶ or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>construction and demolition waste. Further, Heba fulfills requirements outlined in the EU decision 2000/532/EC⁸⁸ on hazardous waste as per Swedish legislation.</p> <p>Building designs and construction techniques support circularity in line with the Swedish Construction Federation's resource and waste guidelines at construction and demolition.⁸⁹</p>	
<p>Pollution prevention and control</p>	<p>Building components and materials used in the construction comply with the criteria set out in Appendix C to the Annex I of the Climate Delegated Act. Please refer to the assessment set out in Appendix 3, Table 12.</p> <p>Building components and materials used in the construction that may come into contact with occupiers⁹⁰ emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with</p>	<p>For the detailed assessment against Appendix C, please refer to Table 12.</p> <p>Further, Heba confirms to be following Swedish legislation, including the Swedish Planning and Building Act (2010:900).⁹⁵ Heba has communicated that the Planning and Building Act covers the criteria related to building components and materials used, potential contaminants and measures to reduce noise, dust and pollutant emissions as outlined in the DNSH criteria.</p>	<p>Aligned</p>

⁸⁵ EU Construction and Demolition Waste Protocol (version of [adoption date]: https://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_en).

⁸⁶ ISO 20887:2020, Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance (version of [adoption date]: <https://www.iso.org/standard/69370.html>).

⁸⁸ EUR-Lex, "2000/532/EC: Commission Decision of 3 May 2000 replacing Decision 94/3/EC establishing a list of wastes referred to in Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous wastes within the meaning of Article 1(4) of Directive 91/689/EEC on hazardous waste (notified under document number C(2000) 1147)", at: <https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX%3A32000D0532>

⁸⁹ The Swedish Construction Federation, "Resource and waste guidelines at construction and demolition", (2021) at: <https://byggforetagen.se/app/uploads/2021/09/20210915-Resurs-och-avfallshantering-vid-byggande-och-rivning.pdf>

⁹⁰ Applying to paints and varnishes, ceiling tiles, floor coverings, including associated adhesives and sealants, internal insulation and interior surface treatments, such as those to treat damp and mould.

⁹⁵ Swedish Riksdag, "Planning and Buildings Act (2010:900), at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900_sfs-2010-900/

	<p>CEN/EN 16516⁹¹ or ISO 16000-3:2011⁹² or other equivalent standardised test conditions and determination methods.⁹³</p> <p>Where the new construction is located on a potentially contaminated site (brownfield site), demonstrate that the site has been subject to an investigation for potential contaminants, for example using standard ISO 18400.⁹⁴</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>		
Protection and restoration of biodiversity and ecosystems	<p>The activity complies with the criteria set out in Appendix D to Annex I of the Climate Delegated Act. Please refer to the assessment set out in Appendix 3, Table 13.</p> <p>The new construction is not built on one of the following:</p> <ul style="list-style-type: none"> a) arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey;⁹⁶ b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List⁹⁷ or the IUCN Red List;⁹⁸ c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest.⁹⁹ 	<p>For the detailed assessment of specifications laid down in Appendix D, please refer to Table 13.</p> <p>Further, Heba confirms to be following Swedish legislation, including the Swedish Planning and Building Act (2010:900) and the Swedish Environmental Code,¹⁰⁰ which cover the criteria as outlined under a) to c) of the EU Taxonomy DNSH criteria.¹⁰¹</p>	Aligned

⁹¹ CEN/TS 16516: 2013, Construction products - Assessment of release of dangerous substances - Determination of emissions into indoor air

⁹² ISO 16000-3:2011, Indoor air – Part 3: Determination of formaldehyde and other carbonyl compounds in indoor air and test chamber air – Active sampling method (version of [adoption date]: <https://www.iso.org/standard/51812.html>)

⁹³ The emissions thresholds for carcinogenic volatile organic compounds relate to a 28-day test period

⁹⁴ ISO 18400 series on Soil quality – Sampling

⁹⁶ JRC ESDCA, LUCAS: Land Use and Coverage Area frame Survey version of [adoption date]: <https://esdac.jrc.ec.europa.eu/projects/lucas>

⁹⁷ IUCN, The IUCN European Red List of Threatened Species (version of [adoption date]: <https://www.iucn.org/regions/europe/our-work/biodiversity-conservation/european-red-list-threatenedspecies>).

⁹⁸ IUCN, The IUCN Red List of Threatened Species (version of [adoption date]: <https://www.iucnredlist.org>).

⁹⁹ Land spanning more than 0,5 hectares with trees higher than five meters and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ. It does not include land that is predominantly under agricultural or urban land use, FAO Global Resources Assessment 2020. Terms and definitions. (version of [adoption date]: <http://www.fao.org/3/I8661EN/i8661en.pdf>).

¹⁰⁰ Swedish Ministry of Climate and Enterprise, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

¹⁰¹ Swedish Riksdag, "Planning and Buildings Act (2010:900)", at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900_sfs-2010-900/

Table 4

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		7.2. Renovation of existing buildings	
Corresponding NACE Code		F41 and F43	
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	The building renovation complies with the applicable requirements for major renovations. ¹⁰² Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30 %. ¹⁰³	Heba's intends to finance renovation activities that achieve at least a 30% improvement in PED.	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned
Sustainable use and protection of water and marine resources	Where installed as part of the renovation works, except for renovation works in residential building units, confirm that the specified water use for the following water appliances is attested by product datasheets, a building certification or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to the Annex I of the Climate Delegated Act (Please refer to the assessment set out in Appendix 3, Table 14): a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b) showers have a maximum water flow of 8 litres/min; c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre.	Heba has confirmed compliance with the water flow requirements as outlined under point a) to d) of the DNSH criteria. For a detailed assessment of specifications laid down in Appendix E, please refer to Table 14.	Aligned

¹⁰² As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.

¹⁰³ The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account) and can be achieved through a succession of measures within a maximum of three years.

<p>Transition to a circular economy</p>	<p>At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.¹⁰⁴ Further confirm that operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.</p> <p>Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887¹⁰⁵ or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	<p>The Waste Framework Directive (2008/98/EC) has been transposed into national law in Sweden.¹⁰⁶ In line with the Directive, EU member states must achieve 70% of material recovery of non-hazardous, non-soil and stone construction and demolition waste. Further, Heba fulfills requirements outlined in the EU decision 2000/532/EC¹⁰⁷ on hazardous waste as per Swedish legislation.</p> <p>Building designs and construction techniques support circularity in line with the Swedish Construction Federation’s resource and waste guidelines at construction and demolition.¹⁰⁸</p>	<p>Aligned</p>
<p>Pollution prevention and control</p>	<p>Buildings components and materials used in the construction complies with the criteria set out in Appendix C to the Annex I of the Climate Delegated Act (Please refer to the assessment set out in Appendix 3, Table 12).</p>	<p>For the detailed assessment against Appendix C, please refer to Table 12.</p> <p>Further, Heba confirms to be following Swedish legislation, including the Swedish Planning and Building Act (2010:900)¹¹² and the Swedish Environmental Code,¹¹³ which cover the criteria related to building components and</p>	<p>Aligned</p>

¹⁰⁴ EU Construction and Demolition Waste Protocol (version of [adoption date]: https://ec.europa.eu/growth/content/eu-construction-and-demolition-waste-protocol-0_en).

¹⁰⁵ ISO 20887:2020, Sustainability in buildings and civil engineering works - Design for disassembly and adaptability - Principles, requirements and guidance (version of [adoption date]: <https://www.iso.org/standard/69370.html>).

¹⁰⁶ EUR-Lex, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives – National Transposition", at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32008L0098>

¹⁰⁷ EUR-Lex, "2000/532/EC: Commission Decision of 3 May 2000 replacing Decision 94/3/EC establishing a list of wastes referred to in Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous wastes within the meaning of Article 1(4) of Directive 91/689/EEC on hazardous waste (notified under document number C(2000) 1147)", at: <https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=CELEX%3A32000D0532>

¹⁰⁸ The Swedish Construction Federation, "Resource and waste guidelines at construction and demolition", (2021) at: <https://byggforetagen.se/app/uploads/2021/09/20210915-Resurs-och-avfallshantering-vid-byggande-och-rivning.pdf>

¹¹² Swedish Riksdag, "Planning and Buildings Act (2010:900)", at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900_sfs-2010-900/

¹¹³ Swedish Ministry of Climate and Enterprise, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

	<p>Buildings components and materials used in the building renovation that may come into contact with occupiers¹⁰⁹ emit less than 0,06 mg of formaldehyde per m³ of material or component upon testing in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and less than 0,001 mg of other categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/EN 16516 or ISO 16000-3:2011¹¹⁰ or other equivalent standardised test conditions and determination methods.¹¹¹</p> <p>Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.</p>	<p>materials used and measures to reduce noise, dust and pollutant emissions as outlined in the DNSH criteria.</p>	
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Table 5

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		7.3. Installation, maintenance and repair of energy efficiency equipment	
Corresponding NACE Code		F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	<p>The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation:</p> <p>a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness,</p>	<p>Heba has confirmed compliance with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU. The respective Directive has been transposed into national law in Sweden.¹¹⁴ Moreover, Heba has communicated that equipment is rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and aligns with the requirements outlined under a) to f).</p> <p>For a detailed assessment against Appendix E, please refer to Table 14.</p>	Aligned

¹⁰⁹ Applying to paints and varnishes, ceiling tiles, floor coverings (including associated adhesives and sealants), internal insulation and interior surface treatments (such as to treat damp and mould).

¹¹⁰ ISO 16000-3:2011, Indoor air – Part 3: Determination of formaldehyde and other carbonyl compounds in indoor air and test chamber air – Active sampling method (version of [adoption date]: <https://www.iso.org/standard/51812.html>).

¹¹¹ The emissions thresholds for carcinogenic volatile organic compounds relate to a 28-day test period.

¹¹⁴ EUR-Lex, "Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings", at: <https://eur-lex.europa.eu/legal-content/DE/TXT/?uri=celex:32010L0031>

	<p>measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive);</p> <p>b) replacement of existing windows with new energy efficient windows;</p> <p>c) replacement of existing external doors with new energy efficient doors;</p> <p>d) installation and replacement of energy efficient light sources;</p> <p>e) installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies;</p> <p>f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to the Annex I of the Climate Delegated Act (Please refer to the assessment set out in Appendix 3, Table 14) and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.</p>		
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned
Pollution prevention and control	<p>Building components and materials comply with the criteria set out Appendix C to the Annex I of the Climate Delegated Act. Please refer to the assessment set out in Appendix 3, Table 12.</p> <p>In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with</p>	<p>For a detailed assessment against Appendix C, please refer to Table 12.</p> <p>Further, Heba confirms to be following Swedish legislation, including the Swedish Planning and Building Act (2010:900).¹¹⁵ Heba has communicated that the Planning and Building Act includes the requirement surrounding carrying out a building survey as outlined in the DNSH criteria.</p>	Aligned

¹¹⁵ Swedish Riksdag, "Planning and Buildings Act (2010:900), at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900_sfs-2010-900/

	health monitoring before, during and after the works, in accordance with national law.		
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Table 6

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	
Corresponding NACE Code		F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	Installation, maintenance or repair of charging stations for electric vehicles.	Heba intends to finance charging stations for electric vehicles in buildings.	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned

Table 7

Framework Activity assessed		Green Buildings	
EU Taxonomy Activity		7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	
Corresponding NACE Code		F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	<p>The activity consists in one of the following individual measures:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of zoned thermostats, smart thermostat systems and sensing equipment, including motion and day light control; b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS); 	Heba has confirmed to be financing all instruments and devices as outlined under bullet points a) to d).	Aligned

	<ul style="list-style-type: none"> c) installation, maintenance and repair of smart meters for gas, heat, cool and electricity; d) installation, maintenance and repair of façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation. 		
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned

Table 8

Framework Activity assessed	Green Buildings		
EU Taxonomy Activity	7.6. Installation, maintenance and repair of renewable energy technologies		
Corresponding NACE Code	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28		
	SC Criteria of the EU Taxonomy	Alignment	
Climate Change Mitigation	<p>The activity consists in one of the following individual measures, if installed on-site as technical building systems:</p> <ul style="list-style-type: none"> a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment; d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment; f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; g) installation, maintenance and repair of high efficiency micro-CHP (combined heat and power) plant; 	Heba has confirmed to be financing all measures outlined under bullet points a) to h).	Aligned

	h) installation, maintenance and repair of heat exchanger/recovery systems.		
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned

Table 9

Framework Activity assessed	Green Buildings		
EU Taxonomy Activity	7.7 Acquisition and ownership of buildings		
Corresponding NACE Code	L 68		
SC Criteria of the EU Taxonomy		Alignment	
Climate Change Mitigation	<p>1. For buildings built before 31 December 2020, the building has at least an 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.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in 'Construction of new buildings'.</p> <p>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.</p>	<p>1. Heba's confirmed that buildings built before 31 December 2020 have obtained EPC label A or fall within the top 15% of the national or regional building stock based on PED.</p> <p>2. Heba has confirmed that buildings built after 31 December 2020 meet the criteria specified in 'Construction of new buildings'.</p> <p>3. In case of large non-residential buildings, Heba confirms that it is efficiently operated through energy performance monitoring and assessment.</p>	Aligned
DNSH Criteria		Alignment	
Climate Change Adaptation	Please refer to the assessment set out in Appendix 3, Table 10.		Aligned

Appendix 3: Criteria for “Do No Significant Harm” (DNSH) to Climate Change Adaptation and Protection and Restoration of Biodiversity and Ecosystems

Table 10

Criteria for DNSH to Climate Change Adaptation		
DNSH Criteria	Alignment	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment. The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> For investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections; For all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments. <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts. For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic 	<p>Heba analyses climate risks in the short- and long-term and uses scenario analyses to address physical and transition risks. Short-term scenario analyses include a perspective of 5 years. Long-term scenario analyses consider up to 80 years, looking at the different RCP-scenarios according to IPCC.</p> <p>As part of its property management, Heba conducts a yearly climate risk assessment at property level. In the first step, Heba identifies properties with short- and long-term climate risks. Heba uses the County’s Administrative Board’s mapping tool for physical climate risks and data from the Swedish Meteorological and Hydrological Institute for its risk identification process. In the second stage, Heba visits all property sites and discusses with employees who work close to each building ways to identify physical climate risks. Further, Heba implements risk-reducing measures, allocates a budget to such climate response and conducts quarterly forecasts for traceability reasons. In addition, Heba links climate risks to their financial impact and reports in accordance with recommendations outlined by the TCFD.</p> <p>Moreover, Heba has confirmed to have developed a plan to implement adaptation solutions, ensuring that new activities do not adversely effect adaptation efforts. For upgrades of existing assets, Heba has confirmed to implement adaptation solutions within five years.</p>	<p>Aligned</p>

activities and are consistent with local, sectoral, regional or national adaptation efforts.		
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Table 11

Criteria for DNSH to Sustainable Use and Protection of Water and Marine Resources		
DNSH Criteria	Alignment	
<ul style="list-style-type: none"> Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed. 	The Water Framework Directive (WFD) 2000/60/EC was given legal effect in Sweden. Moreover, Heba has confirmed to perform environmental impact assessments in accordance with Directive 2011/92/EU.	Aligned

Table 12

Criteria for DNSH to Pollution Prevention and Control Regarding Use and Presence of Chemicals		
DNSH Criteria	Alignment	
<p>The activity does not lead to the manufacture, placing on the market or use of:</p> <ul style="list-style-type: none"> a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant; b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; 	As a member of the EU, all mentioned regulations in Appendix C can be assumed to be transposed into national regulation in Sweden.	Aligned

<p>c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council;</p> <p>d) substances, whether on their own, in mixtures or in an article, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive;</p> <p>e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex;</p> <p>f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society;</p> <p>g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society.</p>		
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Table 13

Criteria for the Protection and Restoration of Biodiversity and Ecosystems		
DNSH Criteria	Alignment	
<ul style="list-style-type: none"> An Environmental Impact Assessment (EIA) or screening has been completed, for activities within the Union, in accordance with Directive 2011/92/EU. For activities in third countries, an EIA has been completed in accordance with equivalent national provisions or international standards. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. 	<p>Heba has confirmed to perform environmental impact assessments in accordance with Directive 2011/92/EU. Moreover, Heba has communicated that Swedish legislation addresses required mitigation and compensation measures, as well as assessments for sites/operations located in or near biodiversity-sensitive areas, and that the Company complies with such legislation.</p>	<p>Aligned</p>

Table 14

DNSH Criteria related to technical specifications for Water Appliances		
DNSH Criteria	Alignment	
<ol style="list-style-type: none"> 1. The flow rate is recorded at the standard reference pressure 3 -0/+ 0,2 bar or 0,1 - 0/+0,02 for products limited to low pressure. 2. The flow rate at the lower pressure 1,5 -0/+ 0,2 bar is ≥ 60 % of the maximum available flow rate. 3. For mixer showers, the reference temperature is $38 \pm 1^\circ \text{C}$. 4. Where the flow has to be lower than 6 L/min, it complies with the rule set out in point 2. 	Heba has confirmed adherence to the thresholds outlined in the DNSH criteria under Appendix E.	Aligned

Second-Party Opinion

Heba EU Green and Sustainability-Linked Financing Framework



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