EU Green and Sustainability-Linked Financing Framework

Executive Summary

Sustainability is reflected in everything Heba does. This commitment stems from our responsibilities as an employer, our obligation to society and our duty to the environment.

Heba's sustainability initiatives are designed to align Heba's long-term objectives with the UN Sustainability Development Goals. To fulfill our commitments and further our dedication to sustainable growth and responsible business operations, Heba has established the EU Green and Sustainability-Linked Financing Framework ("Framework") that describes the prerequisites for issuing Green Financing Instruments and Sustainability-Linked Financing Instruments. By issuing Green and/or Sustainability-Linked Financing Instruments, Heba aims to strengthen the link between its funding and its sustainability strategies and goals.

The EU Green Financing Framework has been developed to align with the EU Taxonomy Regulation and the European Green Bond Standard and will replace Heba's previous Green Financing Framework dated 2021. The framework also complies with the voluntary guidelines by the International Capital Markets Association (ICMA), the Green Bond Principles 2021 as well as the 2023 Green Loan Principles established by the Loan Market Association ("LMA"), the Asia Pacific Loan Market Association ("APLMA"), and the Loan Syndication and Trading Association ("LSTA"). The projects eligible for financing under the EU Green Financing Framework relates to Green Buildings and covers the Construction and Real Estate Activities included in the EU Taxonomy.

Heba's Sustainability-Linked Financing Framework has been developed in accordance with the Sustainability-Linked Bond Principles (SLBP), established by ICMA in 2023, and the Sustainability-Linked Loan Principles (SLLP) established by the LMA, the APLMA and the LSTA in February 2023. The Sustainability-Linked Financing Instruments are tied to two material key performance indicators (KPIs) related to greenhouse gas emission reduction.

Table: Heba's KPIs and SPTs

KPI 1: GHG emissions in own operations (scope 1 and 2).	KPI 2: GHG emissions from construction activities (scope 3).
SPT 1: Reduce GHG emissions in own operations (scope 1 and 2) by 50 % by 2030, using 2018 as a base year.	**SPT 2:** Reduce GHG emissions from the construction activities (scope 3) by 50 % compared to the reference value by the Swedish National Board of Housing, Building and Planning set in 2023, by 2030.

This Framework offers investors the chance to support us in our efforts to drive a positive transformation and mitigate climate change. Heba has worked together with Handelsbanken in the establishment of the EU Green and Sustainability-Linked Financing Framework. Morningstar Sustainalytics has provided a Second-Party Opinion on the EU Green and Sustainability-Linked Financing Framework, which can be found on Heba's website, www.hebafast.se.

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The Heba perspective on sustainability

As defined by the United Nations Development Programme (UNDP), sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The UNDP in Sweden promotes and supports attainment of the UN Sustainable Development Goals.

How do we make sure that what we do today does no harm to the future? We are making progress, but far too slowly according to science. We must change course, try new things, collaborate and cooperate to drive change in the right direction and at speed. The global population is growing and we must all reach consensus on how we should use and protect the finite resources of our shared planet. Heba has a profound responsibility to reduce greenhouse gas emissions and transition to becoming climate-neutral. This applies to our own operations, such as the emissions caused by heating our buildings, as well as the indirect emissions that mainly occur in connection with new builds using new products and materials. Climate change is a fact, and we must confront the challenges it presents even beyond limiting global heating to 1.5 degrees, if we manage to accomplish that goal. We must ensure that urban development reduces social inequalities, that neighbourhoods and homes are safe and secure, and that development leaves no one behind.

About Heba

Heba Fastighets AB (originally Heba Byggnads AB) was founded in 1952 by two experienced builders, Karl Holmberg and Folke Ericsson. Their goal was to build buildings that they would be happy to live in themselves. Heba's values, then and now, have

never changed and the company now owns 56 residential rental properties and public buildings located around the Stockholm region, Uppsala and Mälardalen. We manage our own properties at Heba with a staff of about 45 employees based in four local offices near the properties and our head office in the Södermalm district of Stockholm. Having our own organisation ensures that we are cost-effective and live up to Heba's core values: present, secure and engaged.

Heba's shares have been listed on Nasdaq Stockholm Nordic Mid Cap since 13 June 1994. On the strength of our expertise and commitment, we offer safe, secure and sustainable homes for people throughout various phases of their lives.

Sustainability at Heba

Sustainability is reflected in everything Heba does, today and in the future, proceeding from our responsibility as an employer, our social responsibility and our environmental responsibility. Future-proofing the business is intertwined with successful enterprise. Heba's operations are environmentally and quality certified under ISO 14001 and 9001, demonstrating our systematic efforts towards continuous improvement. We ensure that our property management organisation meets the right standards, fulfils our responsibility as a property owner and works in the right direction to attain our goals.

Heba's work with health and safety involves ensuring physical safety, of course, but also guaranteeing a good psychosocial work environment for our employees. Heba works actively and preventively to minimise the risk of workplace injuries, accidents and incidents, as well as with activities that promote employee health, job satisfaction and efficiency. Heba believes it is imperative that people feel safe and secure in and around our buildings. By means of a sustainable business model and donations to organisations that support and assist vulnerable groups, Heba's business activities promote positive social development.

Heba has zero tolerance for corruption and violations of human rights. Aimed at ensuring ethical behaviour by employees and suppliers, Heba works systematically according to a code of ethical conduct that covers the taking or offering of bribes, corruption and human rights.

Our approach to sustainable development in relation to the climate and environment is based on three mainstays: minimisation, improvement and advocacy. We minimise waste and the use of resources, energy and water. We improve by making active choices, trying new approaches and pursuing innovation. We engage in advocacy through close dialogue with our tenants, partners, suppliers and investors. We are absolutely convinced that collaboration and cooperation will be critical to successfully limiting global heating. Climate change is presenting new conditions that we must acknowledge and confront, and managing our buildings sustainably is a key aspect in that regard. We have taken advantage of the knowledge and experience of our employees, along with mapping tools, to perform a climate risk assessment for Heba's property holdings. Systematic efforts, including short-term and long-term actions towards climate adaptation of the business are based on the assessment, which is performed annually.

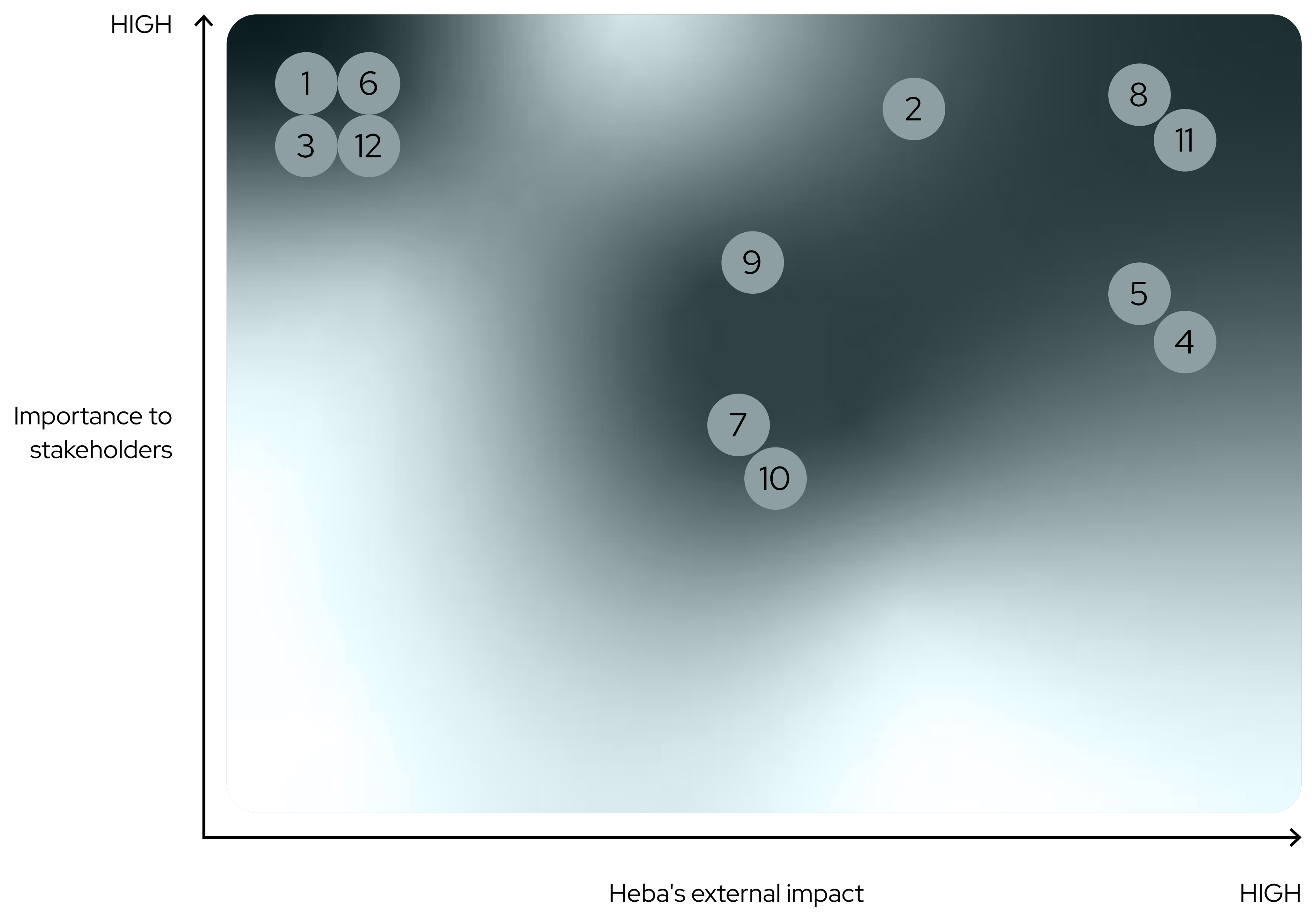
Risk and materiality assessment

Heba's materiality assessment is based on ongoing stakeholder engagement and horizon scanning and was last updated in 2023. The materiality of sustainability and ESG factors describes the topics that are most important to the stakeholder on the Y axis and Heba's external impact on the X axis. All topics are con-

Graphics: Materiality assessment

The materiality of sustainability and ESG factors describes the topics that are most important to the stakeholder on the Y axis and Heba's external impact on the X axis. All topics are considered important, but each has been evaluated internally.

1. Health and well-being
2. Diversity and equal opportunity
3. Personal growth
4. Sustainable supply chains
5. Good business ethics
6. Secure homes
7. Energy use
8. Selecting sustainable materials and products
9. Climate risks
10. Circular waste management
11. Net zero climate impact
12. Increased sustainable financing



sidered important, but each has been evaluated internally. The materiality assessment is one aspect of the company's annual efforts to identify risks and opportunities upon which business plans for future years are based.

A target is linked to each material ESG topic, which is continuously tracked. Heba's sustainability strategy is governed by the Sustainability Policy, which is reviewed and approved by the board of directors every year. Risk and materiality assessments have been performed by the management team and linked to activities adopted by the board. All activities are continuously monitored by the management team during the year and outcomes are presented to the board each quarter. For Heba, sustainability also means taking responsibility for the whole, which includes impact external to the organisation.

Sustainable supply chains are one of the key issues for ensuring compliance with human rights. The risk of violations of human rights is thought to mainly refer to companies several steps away in the supply chain regarding issues such as poor working conditions in factories or other standards related to handling chemicals. Heba understands that, as part of a chain, the business has high external impact. Heba must not leave a negative footprint on the environment, which is extremely significant to stakeholders and to the company's external impact.

More information about sustainability risks and how they are managed at Heba is provided in the latest published annual report (in Swedish), which can be accessed at www.hebafast.se.

Sustainability targets

Our organisation

Our employees are our most important resource. Making sure that each and every one of our people can grow and thrive ensures long-term sustainability. Heba is working actively to be an equal and inclusive workplace that creates the conditions for being a sustainable, customer-oriented company. Our work environment shall be safe and secure from physical, psychological and social perspectives. Heba takes a proactive approach to avoiding work-related accidents and illness and preventing risks.

- The gender balance in management shall be 40–60 percent between women and men
- The absenteeism rate shall be 2–4 percent
- All employees shall be provided annual training in the code of conduct, anti-corruption and human rights
- Heba's workforce shall reflect the diversity of our society
- The Employee Satisfaction Index shall be aligned with the average for the year

Our role in society

The foundation of our role in society is running Heba's business in an ethically, socially and environmentally responsible manner. Heba offers an opportunity for a safe, secure and suitable home to people of all ages and with a variety of needs for social care and service. We are also committed to social initiatives through partnering with and donating to organisations that help and support vulnerable groups.

- The Customer Satisfaction Index shall be above the average for housing companies in Stockholm
- All new leases shall comply with the provisions of the Heba Sustainable Lease
- The security index shall be above 80 percent
- Heba shall provide financial support to organisations that address issues closely related to our core business
- All significant suppliers shall sign the Suppliers' Code of Conduct prepared by the Swedish Property Federation

Reduce emissions by 50% to 2030

-50 %

100 %

100% of the essential suppliers have signed and actively follows Heba's code of conduct by 2030

77 kWh/m^2

Heba shall reduce average energy use to 77 kWh/m^2 by 2028 (base year 2021) and energy use shall not exceed 99 kWh/m^2 for any individual property

Our environment

Heba's long-term sustainability target is for property management to be climate neutral by 2030 and the entire organisation by 2045. Heba supports the 1.5-degree target of the Paris Agreement. Limiting the indirect emissions of our business is the most important component for attaining that goal. It is also important to prepare the organisation for various scenarios caused by climate change.

- Heba shall reduce average energy use to 77 kWh/m^2 by 2028 (base year 2021) and energy use shall not exceed 99 kWh/m^2 for any individual property
- Heba shall halve greenhouse gas emissions by 2030 (base year 2018)
- From 2030, emissions during the construction phase shall be halved for all new builds started, based on current reference values provided by the Swedish National Board of Housing, Building and Planning (Boverket)
- All construction waste shall be sorted and prepared for recycling
- All waste sorting rooms shall be given an updated recycling scheme based on current waste
- All properties shall be annually assessed in relation to physical climate risks

Sustainability governance

Heba's sustainability strategy is governed by the Sustainability Policy. The entire sustainability programme is based on the Sustainability Policy, and the board adopts the annual strategic plan for sustainability work in the context of monitoring the business plan.

The Heba Sustainability Policy establishes that Heba shall run the business responsibly in terms of environmental, social and governance criteria. In line with the UN Sustainable Development Goals (SDGs), Heba shall not leave a negative footprint on the climate over the long term in order to promote attainment of the goal of limiting global heating in accordance with the Paris Agreement.

The company's ethical stance and efforts to create a sound work environment are based on the Heba Code of Conduct. The Code addresses how we should behave respectfully to one another, expresses zero tolerance for discrimination in any form, and establishes how employees shall feel safe about reporting something they perceive to be wrong and in violation of the Code of Conduct or another policy. The Suppliers' Code of Conduct prepared by the Swedish Property Federation is applied to all suppliers to ensure that all of Heba's suppliers and their subcontractors operate in an ethical manner and take responsibility for human rights.

The CEO has overall responsibility for the sustainability programme and the sustainability strategy and for ensuring that the business is run in compliance with the Sustainability Policy and the Code of Conduct. The CEO ensures that employees' duties and authority are communicated and clarified in a manner that ensures responsible and effective implementation of the sustainability programme. The CEO manages the sustainability programme jointly with the Head of Sustainability and the other members of the management team. Climate-related issues are fully integrated in the day-to-day work of the organisation. Sustainability targets have been set at the strategic level in the business plan and integrated in property management plans. The management team sets targets for sustainability work performed within each business area and regularly tracks the results of the work.

Long-term and short-term analyses and targets are implemented and followed up by management and the board at least once every quarter.

The 2030 Agenda: Our identified goals

3. Good Health and Well-Being

Heba offers physical examinations to all employees and we encourage fitness and wellness activities. We create initiatives for enhanced well-being and to prevent stress-related conditions. The neighbourhoods surrounding our properties shall be safe and secure. Heba financially supports at-risk groups in society and provides homes to vulnerable women.

5. Gender Equality

Heba strives to achieve gender balance in all positions. We have zero tolerance for discrimination and victimisation of any kind.

7. Affordable and Clean Energy

Heba focuses on reducing energy use in the properties and increasing energy efficiency and the share of renewable energy through daily operational optimisation, comprehensive renovation programmes and investments in the existing portfolio.

8. Decent Work and Economic Growth

Heba aligns with the principles of equal treatment and all employees are covered by collective agreements. We work to minimise risks of workplace injuries and promote a safe and secure work environment. Heba's business contributes to an efficient housing market and makes it possible for people to get homes of their own and contribute to economic growth.

11. Sustainable Cities and Communities

Through our renovation programme, Heba maintains a long-term ownership and conservation perspective that focuses on sustainability. We create the conditions for our tenants to live sustainably and we work actively with social sustainability. We develop housing for young people and public buildings in which people with special needs are provided suitable homes.

12. Responsible Consumption and Production

Heba's properties are built to last for many years to come and Heba has clear focus on sustainability in all property development projects. We are reducing water consumption, have switched to electric vehicles and impose high standards for environmental performance in connection with new builds. We choose materials with care, properly dispose of our waste and are reducing energy use in the properties.

13. Climate Action

Heba shall not have negative impact on the climate over the long term. Our property management shall be climate-neutral by 2030 and all operations shall be climate-neutral by 2045. This is a journey we must take together with our suppliers, partners and tenants.

14. Life below Water

Heba has been donating for many years to support the stocking of salmon and sea trout in inner city bays by the City of Stockholm. In so doing, we are promoting biodiversity

Heba's contributions to the UN SDGs

The 2030 Agenda for Sustainable Development presents a universal agenda that includes 17 Sustainable Development Goals to strengthen the social, economic and environmental dimensions of sustainable development. The SDGs are aimed at eradicating poverty, injustice and inequalities and overcoming the climate crisis by 2030. We are working actively to contribute to the UN SDGs with focus on the goals that are most relevant to our business. Heba has analysed and identified the following eight goals as the most material to the organisation and as those where we can make the greatest contribution.

Sustainable financing

Heba increased its focus on sustainable financing in connection with the company's first green bond issuance on the capital market in March 2021. Since then, the company has only issued green bonds. Heba's long-term goal is for all financing to be sustainable. The establishement of a EU Green and Sustainability-Linked Financing Franmework, for which the Green Financing Framework was prepared in accordance with the European Green Bond Standard, was thus a natural step for Heba. The EU Green and Sustainability-Linked Framework gives investors the opportunity to learn more about, and become part of, Heba's sustainability programme.

EU Green Financing Framework

This EU Green Financing Framework (“Framework”) has been developed to align with the EU Taxonomy Regulation (June 2020)[1] and the European Green Bond Standard (“EUGBS”)[2].

The framework also complies with the guidelines by the International Capital Market Association (“ICMA”), the Green Bond Principles 2021[3] as well as the 2023 Green Loan Principles[4] established by the Loan Market Association (“LMA”), the Asia Pacific Loan Market Association (“APLMA”), and the Loan Syndication and Trading Association (“LSTA”). This framework provides Heba the opportunity to issue Green Financing Instruments as well as EU Green Financing Instruments[5].

The framework will replace Heba's previous Green Financing Framework published in 2021. An overview of the relevant Technical Screening Criteria (including the Do No Significant Harm criteria) in the EU Taxonomy applicable at the time of publication of this framework can be found in Appendix 1.

1 EUR-Lex - 32020R0852 - EN - EUR-Lex (europa.eu)

2 EUR-Lex - 32023R2631 - EN - EUR-Lex (europa.eu)

3 Green Bond Principles June 2021 (with June 2022 Appendix I)

4 Green Loan Principles 2023

5 EU Green Financing Instruments refers to instruments issued in line with the European Green Bond Standard. At the time of publication of this framework, it is not yet possible to issue European Green Bonds. Before a potential issuance of European Green Bonds can take place, this framework will be complemented with a European Green Bond Factsheet, and Heba will seek accreditation of the European Green Bond Factsheet from an authorised external reviewer

Table: Construction and Real Estate Activities

Substantial contribution to Environmental Objective: Climate Change Mitigation

Eligible Taxonomy categories	Taxonomy aligned[7]	Additional EU Taxonomy information & criteria that extends beyond the EU Taxonomy
7.1 Construction of new buildings	✓	Refers to buildings completed after the 31st of December 2020. The buildings have or will receive one of the following environmental certifications: Miljöbyggnad "Silver", Nordic Swan Ecolabel, or equivalent and have a primary energy demand (PED) of at least 20 % lower than the nearly zero-energy building (NZEB). All new buildings must also conduct a life-cycle analysis of the global warming potential (GWP). For all new buildings with the start of construction in 2023 and onwards, the maximum amount of embodied carbon will be in line with Heba's target of a 50 % reduction in construction activities by 2030[8].
7.2 Renovation of existing buildings	✓	Renovation of an existing building that either leads to a reduction of Primary Energy Demand (PED) of at least 30 %, or where the building meets the applicable requirements for "major renovations"[9].
7.3 Installation, maintenance and repair of energy efficiency equipment	✓	Projects in this category will support continuous energy improvements throughout the building portfolio, including all activities prescribed in the EU Taxonomy. Projects will minimize long term negative climate impact, potential rebound effects and negative climate impact from the technology used.
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	✓	Projects in this category will support the installation of charging stations for electric vehicles.
7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	✓	Projects in this category will support building automation and control systems throughout the building portfolio.
7.6 Installation, maintenance and repair of renewable energy technologies	✓	Projects in this category will mainly support the installation of solar energy but may also include other Taxonomy eligible activities such as the installation of geothermal heating and cooling systems as well as related infrastructure investments. Projects will minimize long term negative climate impact, potential rebound effects and negative climate impact from the technology used.
7.7 Acquisition and ownership of buildings	✓	Refers to buildings completed before the 31st of December 2020. The buildings have an Energy Performance Certificate (EPC) demonstrating class A or the building is within the top 15 % of the national or regional building stock, expressed as Primary Energy Demand (PED)[10].

Green Terms

1. Use of Proceeds

An amount equivalent to the net proceeds of any Green Financing Instrument will be used exclusively to finance or refinance Green Projects "Eligible Green Projects" that support the shift towards low-carbon, climate resilient and sustainable economies. These projects must meet the specific categories and criteria below, along with the Exclusion criteria. Furthermore, the Eligible Green Projects must meet the Technical Screening Criteria ("TSC"), including the criteria for substantial contribution, the Do No Significant Harm Criteria ("DNSH") and the Minimum Safeguards in accordance with the EU Taxonomy Regulation.

Both financing and refinancing[6] of capital expenditures, without age restriction, and operational expenditures incurred more recently than three years before any Green Financing can qualify as eligible. The combined allocated amount to a specific Green Project, by one or several sources of financing with specified use of proceeds, may not exceed its value. The proportion allocated to new financing and refinancing will be disclosed in the annual reporting. Heba only operates in the Swedish market, the proceeds will therefore be used exclusively to finance or refinance Eligible Green Projects in Sweden.

At the time of any new Green Financing the current Technical Screening Criteria in force, jointly with any further criteria specified in the table to the left will be used to determine the eligibility of Green Projects.

2. Process for Project Evaluation and Selection

Heba has a robust process for project evaluation and selection where Heba's project managers and the property managers primarily lead and present proposals for Green Projects. Decisions on Green Projects are included in Heba's ordinary process for project evaluation and selection. In management plans different proposals for measures are stated, such as energy savings. All proposed measures and status for projects are registered and followed up. This information will be used by the Green Business Council (GBC) to determine what projects are compliant with the Green Terms in this framework and hence qualify for Green Financing. The GBC is led by the Head of Sustainability and currently includes the CEO, the CFO, and members of group finance.

The GBC is responsible for:

- Reviewing information about the presented potential Green Projects
- Ensuring the presented Green Projects adhere with the Green Terms in this Framework as well as evaluate their overall environmental impact, which includes life cycle considerations, embodied carbon, potential rebound effects, resilience considerations and alignment with the EU Taxonomy and European Green Bond Standard
- Ensuring environmental and social risks associated with the Green Project has been addressed
- Ensuring Green Projects are compliant with applicable national laws and regulations, as well as policies and guidelines at Heba

6 New financing is defined as the financing taking place in or after the reporting year of issuance of a Green Financing Instrument. All financing taking place before that is considered to be refinancing

7 Taxonomy aligned means that Heba will aim to fulfil both the Technical Screening criteria (including the Do No Significant Harm criteria) for the specific project as well as Minimum Safeguards on entity level. For more information regarding the EU Taxonomy criteria, see appendix 1 and 2.

8 The maximum amount of embodied carbon is set in accordance with the 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 estimated to be 310.

9 In line with Directive 2010/31/EU.

10 The top 15 % PED applicable under this framework will be updated continuously. Heba will reference an external benchmark when determining the top 15 %. Such a benchmark could be e.g., guidance by national governments or a specialist study.

The Green Business Council can request additional information and consult with internal parties, but the mandate to make decisions is held by the group. A decision to allocate net proceeds will require a majority decision by the GBC, where the Head of Sustainability has a veto. The decisions made by the GBC will be documented. An updated list of all Green Projects will be kept by Heba's treasury department. If a project ceases to meet the Green Terms, it will be removed from the list (and the funds will be recycled). The list will also be used as a tool to determine if there is a current or expected capacity for additional Green Financing.

3. Management of Proceeds

The net proceeds of any Green Financing will be tracked by Heba on a portfolio basis. Deductions will be made from the Green Portfolio by an equivalent amount corresponding to the financing, refinancing, investment or expenditure of Eligible Green Projects or at repayment of any Green Financing. If a Green Project no longer qualifies or if the underlying project is divested or lost, an amount equal to the funds allocated towards it will be re-credited to the Green Portfolio. Funds may also be reallocated to other Eligible Green Projects during the term of any Green Financing, unless otherwise agreed in the loan documentation. The treasury department will keep a record of the purpose of any change in the Green Portfolio and ensure that the combined funds directed towards a specific Eligible Green Project, by one or several sources of Green Financing or other financing with specific use of proceeds, does not exceed its value. If, at any time, the total amount of proceeds from green financing exceeds the total value of Eligible Green Projects in the Green Portfolio the proceeds may be invested or utilised by the treasury in accordance with Heba's sustainability policy and investment criteria. Such unallocated funds may for instance be invested in short-term interest-bearing securities, such as Swedish treasury bills (and related entities) or Swedish municipal notes (including related entities).

Exclusions

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

4. Reporting

In order to be fully transparent about how the net proceeds from Green Financing Instruments have been used, Heba will publish a report annually on its website (www.hebafast.se) that will detail the allocation of Green Financing and adherence to the Green Terms (the "Reporting"). The Reporting will contain information on the Eligible Green Projects that have been financed with Green Financing, a summary of Heba's activities in the past year as pertains to Green Financing as well as information, including examples, of the financed Eligible Green Projects adherence to the relevant criteria.

Allocation Report

- The sum of outstanding Green Financing Instruments and the sum of the Green Portfolio balance, including any short-term investments or funds managed within Heba's liquidity portfolio
- Emphasis will be placed on providing examples to single projects based on size
- The amount and percentage of Green Financing allocated to financing and refinancing Eligible Green Projects
- The Eligible Green Projects alignment with the EU Taxonomy including Heba's compliance with Minimum Safeguards at entity level
- All data is to be as of the end of the previous year

Table: Impact Report metrics

Area	Metrics
Energy performance/use	a. For all buildings: the annual energy use per square meter Atemp (kWh/sqm/year) b. For all new buildings: the reduction in Primary Energy Demand (PED) compared to the requirement in the national implementation of NZEB c. For major renovations: the percentage reduction of Primary Energy Demand (PED) d. For acquisition and ownership of buildings that qualifies according to an Energy Performance Certificate (EPC): the level of the EPC e. For acquisition and ownership of buildings that qualifies according to top 15% PED: confirm that the Energy Performance was within the top 15% of the national or regional building stock at the time of a building's inclusion in any Green Financing and also disclose the source and value of the top 15% assessment/benchmark per building type. f. Annual energy savings (MWh per year)
Building certification and performance	a. Type of building certification b. Achieved level of building certification c. For new buildings larger than 5000 sqm: Air-tightness and thermal integrity (verify that this has been done and also disclose observed deviations)
Carbon emissions	a. Carbon intensity: grams per GFA b. Carbon savings: annual carbon emission reductions/savings (CO2e tones)

Impact Report

The Impact Report will strive to disclose the impact based on the financings share of the total investment. For financed Eligible Green Projects that are not yet operational, Heba will strive to provide estimates of future performance levels. The metrics on the left are examples of indicators that are likely to be used by Heba in the forthcoming Impact Report. Furthermore, Heba will specify the methodologies and main assumptions applied in the assessment of the environmental impacts. It is the intention of Heba to align the impact reporting, on a best effort basis, with the ICMA's Handbook Harmonised Framework for Impact Reporting (June 2023) and the EU Taxonomy.

External Review

The external auditor of Heba, or a similar party appointed by Heba with the relevant expertise and experience, will on an annual basis investigate and report whether an amount equal to the net proceeds has been allocated to the Eligible Green Projects that Heba has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Heba's website, www.hebafast.se.

Second Party Opinion

Morningstar Sustainalytics has provided an independent evaluation of this framework verifying its credibility, impact and alignment with ICMA's Green Bond Principles, Green Loan Principles and Heba's alignment with the EU Taxonomy.

Sustainability-Linked Financing Framework

This Sustainability-Linked Financing framework is designed to link Heba's funding to specific sustainability goals. It sets an ambitious strategy to achieve sustainability performance targets that are material for Heba as well as the real estate sector.

The framework applies to Sustainability-Linked Financing Instruments, including Sustainability-Linked Bonds and Sustainability-Linked Loans. It has been developed to align with global standards, including Sustainability-Linked Bond Principles ("SLBP")[11] established by the International Capital Markets Association ("ICMA") in June 2023 and the Sustainability-Linked Loan Principles ("SLLP")[12] established by the Loan Markets Association ("LMA"), the Asia Pacific Loan Market Association ("APLMA") and the Loan Syndication and Trading Association ("LSTA") in February 2023.

The Framework is structured according to ICMA's Sustainability-Linked Bond Principles five components:

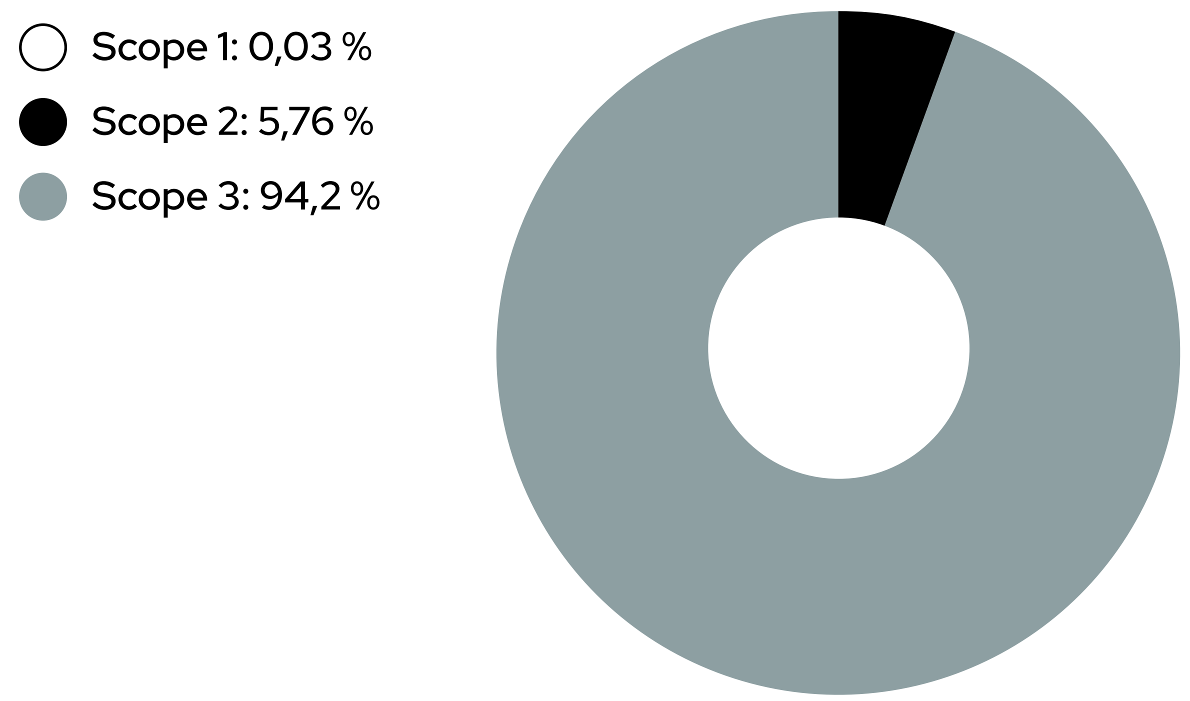
- 1. Selection of Key Performance Indicators (KPIs)
- 2. Calibration of Sustainability Performance Targets (SPTs)
- 3. Financial characteristics
- 4. Reporting
- 5. Verification

1. Selection of Key Performance Indicators (KPIs)

Rational and materiality of the KPIs

United Nations has outlined climate change as "the biggest threat modern humans have ever faced". The real estate sector contributes to about 40 percent of the total global CO2 emissions and therefore plays a crucial role in the transition toward a net-zero world[13]. The majority of the real estate sector's emissions derive from the supply chain, covering about 90 percent of total emissions. To combat climate change, it is important to consider the supply chain's impact. By engaging in the early stages of construction, real estate companies can create a sustainable business for themself, their tenants, and society as a whole[14]. Recognising its influence and responsibility, Heba has set two ambitious key performance indicators (KPIs) to navigate its continued sustainable transition.

Graphics: Scope breakdown of Heba's total emissions in 2022 (%)



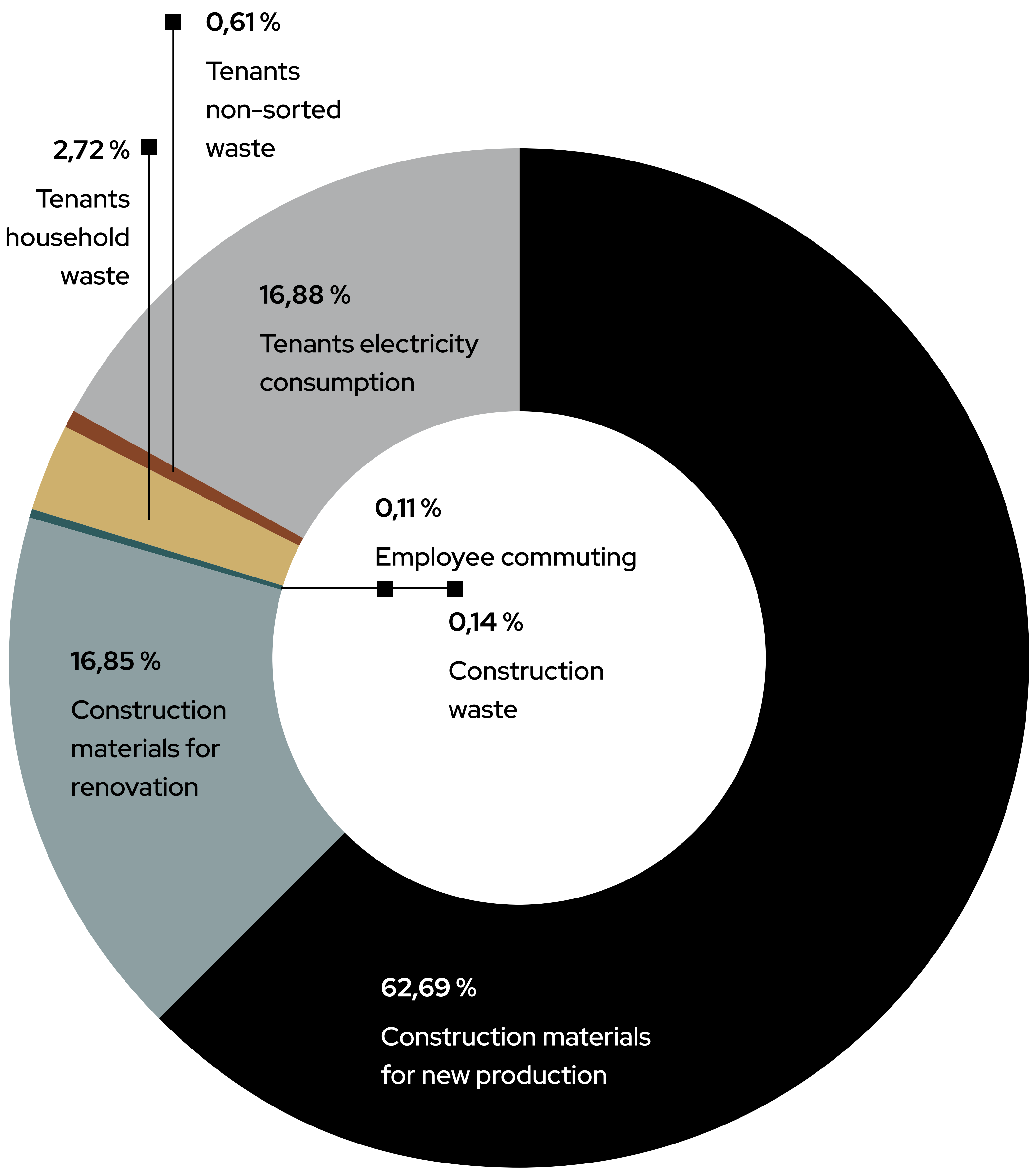
11 Sustainability-Linked Bond Principles

12 Sustainability-Linked Loan Principles

13 Climate Change 'Biggest Threat Modern Humans Have Ever Faced', World-Renowned Naturalist Tells Security Council, Calls for Greater Global Cooperation | UN Press

14 Ansvarsfulla inköp - Fastighetsägarna (fastighetsagarna.se)

Graphics: Scope 3 emission breakdown in 2022 (%)



KPI 1 and 2

Table: Selection of Key Performance Indicators (KPIs)

	KPI 1	KPI 2
Definition	GHG emissions in own operations (scope 1 and 2).	GHG emissions from construction activities (scope 3).
Description and scope	Reduce direct and indirect emissions from Heba's vehicle fleet and the generation of purchased energy. The KPI covers all Heba's emissions in scope 1 and 2.	Reduce indirect emissions from construction activities based on life cycle analysis covering the stages A1-A5. Construction activities refer to Category 2 "Capital goods" under the GHG Protocol[15]. The KPI covers 70 % of Heba's total scope 3 emissions.
Calculation Methodology	Calculated according to the SBTi criteria and GHG Protocol, using the market based method for scope 2 GHG emissions. The target will be measured in absolute reductions where 2018 value will be used as a baseline.	Data on GHG emissions from upstream scope 3 are collected and reported in accordance with the GHG Protocol, applying the operational control approach. Construction activities will be measured both during and after completion to effectively monitor and manage the environmental impact. The KPI will be benchmarked against the Swedish National Board of Housing, Planning and Building's value of reference, updated in 2023, using the average for residential buildings[16] with the value 310 kg CO2e/sqm, GFA used as a baseline.

15 Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf (ghgprotocol.org)
16 Referensvärden för klimatpåverkan vid uppförande av byggnader

KPI 1: GHG emissions in own operations

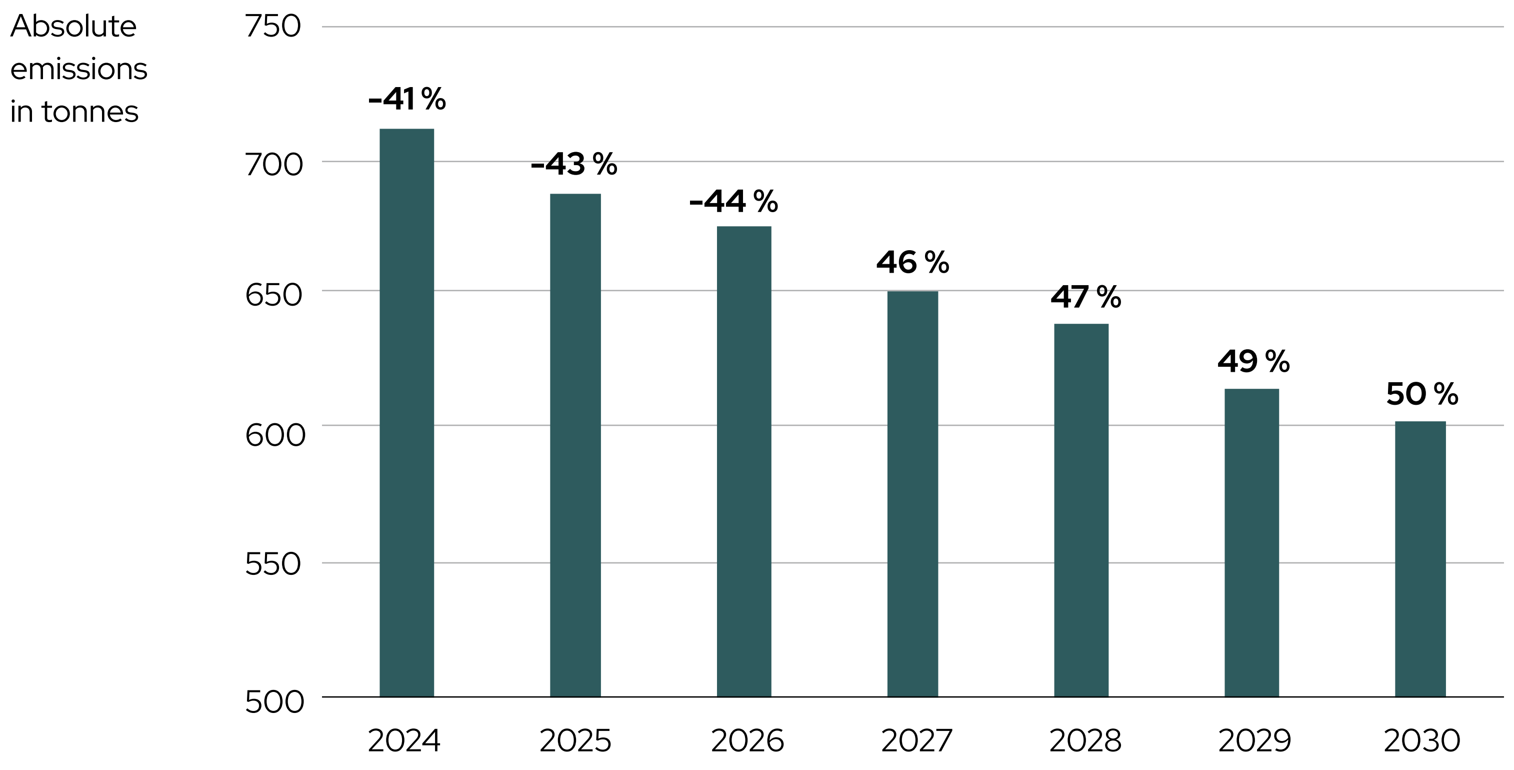
The first KPI targets a reduction in greenhouse gas (GHG) emissions in Heba's own operations. This target has been validated by Science Based Targets initiative (SBTi), ensuring it aligns with the 1.5-degree objective of the Paris Agreement.

KPI 2: GHG emissions from construction activities

The second KPI encompasses Heba's GHG emissions in its value chain. Since scope 3 emissions represent the majority of the real estate sector's emissions, this KPI becomes critically important for both the sector and Heba. The majority of Heba's scope 3 emissions stems from the construction of new buildings and more specifically the construction material used, representing approximately 70 percent of Heba's total scope 3 emissions. To reduce Heba's total GHG emissions, it is therefore crucial to lower the negative impact from the construction phase. The KPI will be benchmarked against the Swedish National Board of Housing, Building and Planning's reference values.

The two KPIs have been chosen to align Heba's operations with sustainable best practices, reflecting the values of the EU's climate goal "Climate change mitigation" and the United Nations Sustainable Development Goals, SDG 13 "Climate Action", SDG 11 "Sustainable cities and communities, and SDG 12 "Responsible consumption and production".

SPT 1: Reduce GHG emissions in own operations (scope 1 and 2) by 50% by 2030, using 2018 as a base year



2. Calibration of Sustainability Performance Targets

Table: Historical performance

Year	Absolute emissions in tonnes	Percentage reduction vs baseline
2018	1 206	0
2019	946	-22 %
2020	912	-24 %
2021	839	-30 %
2022	886	-27 %

STRATEGY TO ACHIEVE SPT 1:

To meet the target Heba actively works to increase energy efficiency throughout its building portfolio. The primary focus of these efforts revolves around optimizing ventilation systems to recover energy used in the properties. Additionally, Heba is changing windows and facades, while energy use is further controlled through integrated systems. In addition to energy optimizing efforts, Heba installs renewable energy facilities continuously and reduces the purchased energy from district heating. Moreover, Heba also engages in activities to reduce the share of fossil fuel in waste that goes to combustion e.g., the tenant's recycling stations. The target supports Heba's long-term target of becoming climate neutral in its whole operation by 2045.

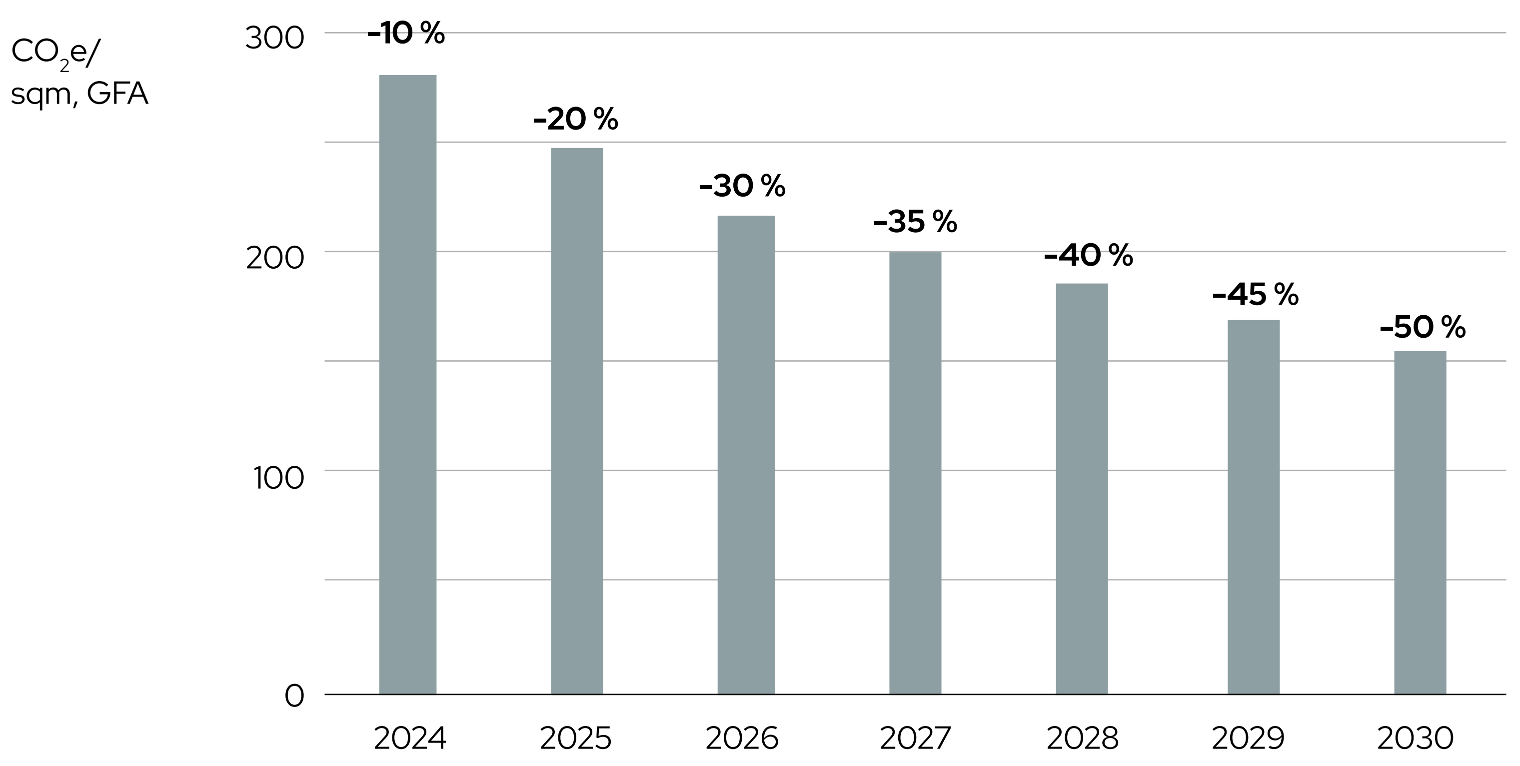
LEVEL OF AMBITION AND BENCHMARK:

The target covers 100 % of Heba's GHG emissions in scope 1 and 2. It has been validated by the Science Based Targets initiative and aligns with the reduction required to keep global warming within 1,5 °C. Energy efficiency has been a focus area for Heba for many years, and Heba has managed to lower the GHG emissions in its own operations substantially. However, the work that remains to reach the target by 2030 will pose challenges since Heba already has taken large measures for the properties with the largest room for improvement.

KEY FACTORS THAT COULD AFFECT THE ABILITY TO MEET SPT 1

- Challenging to affect the mix of fuel for direct heating
- Challenging to take cost effective actions for real estates that are neither new nor due for renovation
- Given Sweden's climate, buildings will always have to be heated, meaning there is a limit to how much GHG emissions can be reduced

SPT 2: Reduce GHG emissions from construction activities (scope 3) by 50% compared to the reference value by the Swedish National Board of Housing, Building and Planning set in 2023, by 2030



STRATEGY TO ACHIEVE SPT 2:

To meet the target, Heba will proactively engage in the early construction stages during which design decisions can be influenced. This entails assessing the carbon footprint and subsequently optimizing key components such as the construction process. Following this step, it is possible to choose materials that are climate-improved, for example the concrete used. Moreover, to meet the target Heba will engage with its suppliers and strengthen the cooperation and relationship.

LEVEL OF AMBITION AND BENCHMARK

The KPI addresses Heba's most significant climate impact, i.e. scope 3 emissions, which account for 94 % of the company's total GHG emissions. The target covers 70 % of Heba's scope 3 emissions. The target will be benchmarked against the Swedish National Board of Housing, Building and Planning's reference value for new construction in Sweden. The Swedish National Board of Housing, Building and Planning is a central government authority assorted under the Ministry of Enterprise and Innovation. They review developments within the fields of housing, building and planning. The reference value is derived from an analysis of the climate impact from the construction phase of close to 70 buildings in Sweden conducted in 2023. The reference value is 310 kg CO2e/sqm GFA for residential buildings, meaning Heba's construction activities aim to reach a level of 155 kg CO2e/sqm GFA by 2030 which is a significant reduction.

Furthermore, the trajectory of the sustainability performance target aligns, but also goes beyond the Science Based Targets initiative "Buildings Sector Science-Based Target Setting Guidance"[17]. The guidance sets out a sectoral pathway for reducing intensity based GHG emissions in scope 3 to be in line with the Paris Agreement 1,5°C.

KEY FACTORS THAT COULD AFFECT THE ABILITY TO MEET SPT 2

- Challenging to get specific data on environmental impact since not all suppliers can provide an Environmental Product Declaration (EPD)
- The constructions activities are scheduled several years in advanced meaning new technologies that supports climate transition and GHG mitigation can develop in the meantime.

17 Buildings sector science based target setting guidance

3. Financial Characteristics

The financial characteristics of any Sustainability-Linked Financing Instrument issued under this framework will be specified in each instrument's transaction-specific documentation (e.g. the General Terms and Conditions together with the Final Terms of the Sustainability-Linked Bond or in the Facility Agreement of the Sustainability-Linked Loan). This includes, but is not limited to, the specification of the financial impact triggered by whether or not the sustainability performance targets (SPTs) are achieved, the target observation dates and reporting end dates as well as the SPT baseline years and mechanisms to recalculate the baseline.

The financial characteristics may result in a coupon step-up and/or an increased redemption price as specified in the transaction-specific documentation. Any baseline recalculation must be in accordance with the fallback mechanism stated below. Baseline recalculations may occur annually as a result of specific circumstances, such as availability of data or major events that have a material impact on Heba's operations, or as a result of acquisitions or divestments.

Fallback Mechanism

To ensure accurate monitoring of progress toward the SPTs, adjustments to baselines and/or Sustainability Performance Targets will be made based on significant changes that extends beyond Heba's control, as outlined below:

METHODOLOGY CHANGES

Modifications to the calculation methodology of any Key Performance Indicator (KPI) will be made to align with shifts in the market, practices and relevant standards that, either individually or collectively, substantially affect the level of any SPT or KPI. Methodological adjustments encompass updated assumptions or calculation methods. These also extend to updates in emissions factors, however only including cases where the update stems from actual changes in conditions, such as annual updates of electricity grid factors.

REGULATORY CHANGES

Changes in, or amendments to, any applicable laws, regulations, rules, guidelines, and policies relating to the business of Heba.

ERRORS AND OTHER CHANGES

Changes in Heba's ability to calculate its SPT(s) and/or baseline(s), for example as a result of changes to data accessibility, or data quality. Recalculations will also be triggered by the discovery of a significant error or multiple cumulative errors.

While not the intent of the issuer, the aforementioned circumstances could warrant changes to the SPTs. However, any change to an SPT must not represent a lowered level of ambition and/or changes in the company's sustainability targets and/or strategy. For these recalculations to occur, an independent external reviewer must confirm that the revised SPT(s) and/or baseline(s) align with, or exceed, the ambition and materiality of the initial SPT(s) and/or baseline(s).

4. Reporting

To ensure investors and other stakeholders receive updated and adequate information about Heba's sustainability strategy and the performance of the KPIs against the SPTs, Heba will publish an annual progress report on its website (www.hebafast.se). The report will include the relevant information required to assess the potential financial impact as described in the section "Financial Characteristics". As described in the "Verification" section below, an external reviewer will verify the performance level of the KPIs

against the SPTs. The annual progress report will include the following:

- Information on the Sustainability-Linked Bonds outstanding
- The performance of the KPIs against the SPTs, per the applicable reporting period
- Information on calculation methodology, baseline and potential recalculations if applicable
- Updated information on Heba's sustainability strategy relevant to the KPIs

Where relevant, the reporting will also include clarifying explanations of the progress on the above.

If Heba has other Sustainability-Linked Financing Instruments than bonds outstanding, the company may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparties.

5. Verification

External Review

Heba will annually seek external and independent verification of the level of performance of the KPIs against the SPTs by a qualified external reviewer with relevant expertise. The verification will be publicly available together with Heba's Sustainability-Linked Progress Report on Heba's website, www.hebafast.se.

Second Party Opinion

Morningstar Sustainalytics has provided an independent evaluation of this framework assessing the relevance, robustness, reliability and level of ambition of the selected KPIs and SPTs, as well as confirming its alignment with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles.

Important Notice

This document (the "EU Green and Sustainability-Linked Financing Framework") contains information on Heba Fastighets AB ("Heba") and its potential use of financing with added environmental criteria. The Framework describes the prerequisites for issuing Green Financing Instruments and Sustainability-Linked Financing Instruments.

The EU Green Financing Framework aims to align with the European Green Bond Standard. This framework provides non-binding details on forthcoming financing, as will be further specified in the European Green Bond Factsheet ("Factsheet") if the issuer decides to issue a European Green Bond. Labels such as "Green Bond", "Green Commercial Paper" and "Green Loan" may apply based on the type of financing, and compliance with the European Green Bond Standard could warrant additional labels like "European Green Bond" (EUGB), "European Green Loan" (EUGL) or "European Green Commercial Paper" (EGCP).

In the event of an issuance of a European Green Bond, the Factsheet will be publicly available on Heba's website. The Factsheet will be an integral part of the financing documentation and will be translated as required by local legislation and regulation. Issuance of a European Green Bond shall incorporate the most recently published Factsheet, and the version specified in the relevant documentation remains applicable for the duration of the financing. Changes to the Factsheet or relevant standards, such as the EU Taxonomy or the European Green Bond Standard, will not apply retroactively to any Green Financing unless explicitly communicated by Heba or required by relevant laws and regulations.

The Sustainability-Linked Financing Framework outlines potential financing with the inclusion of environmental criteria, referred to as "Sustainability-Linked Terms". Any financing by Heba that includes the Sustainability-Linked Terms in its associated financing documentation, by reference or inclusion, as detailed in this document or in future versions of this document, will be designated (as applicable) a Sustainability-Linked Bond ("Sustainability-Linked Bond" or "SLB"), a Sustainability-Linked Loan ("Sustainability-Linked Loan" or "SLL") or jointly Sustainability-Linked Finance Instruments ("Sustainability-Linked Finance Instruments" or "SLFI").

This EU Green and Sustainability-Linked Financing Framework represents a holistic approach to environmental financing, integrating Green Financing and Sustainability-Linked initiatives. Its purpose is to guide investors and third parties in understanding the criteria, terms and principles governing these sustainable financing mechanisms, fostering transparency and adherence to ambitious environmental standards.

Investors and third parties are strongly advised to conduct independent evaluation of the Framework and to review applicable risk factors, terms specific to the relevant financing, and the Framework's adherence to existing and future regulations, standards, and/or market practices. As the accreditation mechanism for external reviews under the European Green Bond Standard is not yet in place, investors and third parties must assess the adherence of any Green Financing to such standard until accreditation is secured.

Appendix 1: Overview and Summary of main Taxonomy Criteria at the Time of Publication

The table below summarizes and provides an indicative overview of the relevant Technical Screening criteria applicable at the time of publication of this Framework (the Climate Delegated Act, December 2021). External parties are advised that the regulatory requirements in effect at the time of any new Green Financing will be used to determine compliance.

Table: Overview and Summary of main Taxonomy Criteria

The information in the table below is a summary of the Climate Delegated Act published in the Official Journal of the European Union in December 2021. In case of any discrepancies between the summary and the Climate Delegated Act the latter should prevail.

Category	Technical Screening Criteria	Do No Significant Harm	Potential NACE-codes
7.1 Construction of new buildings	■ NZEB -10 % PED ■ Test for thermal integrity and air tightness ■ Life-cycle GWP value	2. Identify material physical climate risks 3. Water flow, temperature and pressure restrictions and Environmental Impact Assessment (EIA) requirements 4. At least 70 % (by weight) of the non-hazardous construction and demolition waste is prepared for reuse, recycling or material recovery 4. Building design supports circularity 5. Restrictions on hazardous materials 5. Reduction of noise, dust and pollutant emissions during construction/maintenance 6. An EIA or screening has been completed 6. Restrictions on the use of certain types of land	F41.1, F41.2, F43
7.2 Renovation of existing buildings	■ Reduction of Primary Energy Demand (PED) of at least 30 % over a three year period	2. Identify material physical climate risks 3. Water flow, temperature and pressure restrictions 4. At least 70 % (by weight) of the non-hazardous construction and demolition waste is prepared for reuse, recycling or material recovery 4. Building design supports circularity 5. Restrictions on hazardous materials 5. Reduction of noise, dust and pollutant emissions during construction/maintenance	F41, F43
7.3 Installation, maintenance and repair of energy efficiency equipment	■ Prequalified measures such as added insulation, replacement of windows, energy efficient lightning and HVAC	2. Identify material physical climate risks 5. Restrictions on hazardous materials for the materials and components used	F42, F43, M71, C16, C17, C22, C23, C28, S95.21, S95.22, C33.12
7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	■ Individual measures to support electric vehicles	2. Identify material physical climate risks	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28
7.5 Installation, maintenance and repair of instruments and devices for measuring, regula-tion and controlling energy performance of buildings	■ Individual measures to monitor and control energy use of buildings	2. Identify material physical climate risks	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28
7.6 Installation, maintenance and repair of renewable energy technologies	■ Individual renewable energy measures on-site	2. Identify material physical climate risks	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28
7.7 Acquisition and ownership of buildings	■ EPC A or top 15% of the national or regional building stock (PED)	2. Identify material physical climate risks	L68

Appendix 2: Key Characteristics of the EU Taxonomy and the proposed European Green Bond Standard

European Green Bonds

The European Commission proposed a joint European Green Bond Standard ("**EUGBS**") in July 2021. The regulation has now entered into force[18] and will start to apply on 21 December 2024. The EUGBS requires the issuer to follow the EU Taxonomy meaning that the latter will determine what can be financed by a European Green Bond. With this standard the EU Commission aims at further developing the market for high quality Green Bonds and reducing the risk of greenwashing, as well as allowing for additional private capital to be aggregated towards environmentally sustainable investments. The EUGBS has also provided European Securities and Markets Association (ESMA), with the authority to manage registration and supervision of external reviewers in the Union.

EU Taxonomy

The Taxonomy Regulation (June, 2020) and associated legal frameworks contain six Environmental Objectives ("**Environmental Objectives**"). In December 2021, the Climate Delegated Act, covering the first two Environmental Objectives was formally adopted by the European Council and entered into force on the 1st of January 2022. Any eligible activity must substantially contribute towards one or more of these objectives, while at the same time not significantly harming any other Environmental Objective. These objectives are fairly aligned with, but expand upon, the five objectives in the Green Bond Principles. Furthermore, the Taxonomy defines sustainable economic activities through categorization, Technical Screening Criteria ("**TSC**"), including Do-No-Significant-Harm criteria ("**DNSH**") and Minimum Safeguards ("**Minimum Safeguards**"), with the purpose of facilitating capital aggregation for a green and sustainable transition.

Environmental Objectives

- Climate change mitigation: Activities that contribute to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals.
- Climate change adaptation: Activities that contribute to reducing the negative effects of the current and expected future climate or preventing an increase or shifting of negative effects of climate change on location and context specific economic activities or natural and built environments.
- Sustainable use and protection of water and marine resources: Activities that contribute to the good status of waters by limiting water discharges, decontaminating drinking water, improving water efficiency and ensuring the sustainable use of marine ecosystems and the good status of marine waters.
- Transition to a circular economy: Activities that contribute to the transition to a circular economy, aimed at minimising and correctly managing waste, hazardous substances and making the most of resources, focusing on areas like design, systems, sharing economy, product life extension and recycling.
- Pollution prevention and control: Activities that contribute to a high level of environmental protection from pollutants other than greenhouse gasses affecting air, water or soil whilst minimizing negative impact on human health and the environment.
- Protection and restoration of biodiversity and ecosystems: Activities that protect, conserve and enhance biodiversity and ecosystem services via nature conservation or sustainable land management, agricultural practices and forest management.

18 EUR-Lex - 32023R2631 - EN - EUR-Lex (europa.eu)

Technical Screening Criteria

The TSC shall determine the conditions under which a specific economic activity within the European Union qualifies as contributing substantially to an Environmental Objective, while not causing significant harm to one or more of those objectives (see **DNSH**). In the Taxonomy Regulation (June, 2020) the TSC are defined as being based on conclusive scientific evidence, taking a life cycle perspective and emphasizing quantitative thresholds whenever feasible.

Do no significant harm

In order to avoid that investments qualify as environmentally sustainable in cases where the economic activities benefitting from those investments cause harm to the environment to an extent that outweighs their contribution to an Environmental Objective, the EU Taxonomy also established Technical Screening Criteria that requires the economic activity to demonstrate that it "does no significant harm" ("DNSH") to the other Environmental Objectives. The EU Taxonomy therefore specifies the minimum requirements that need to be met to avoid significant harm, considering both the short- and long-term impact of a given economic activity.

Minimum Safeguards

For an economic activity to be considered sustainable, it must also comply with minimum social safeguards. To be eligible under the EU Taxonomy the relevant activity must be aligned with the:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- International Labor Organization's Fundamental Principles and Rights at Work (including the eight fundamental conventions of the ILO) and
- The International Bill of Human Rights

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EU Green and Sustainability-Linked Financing Framework