



Green Finance Framework 2023



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Introduction

About Arwidsro

Arwidsro (“the Company” or “Arwidsro”) is a growing real estate company founded in 1979. The Company focuses on properties in stable markets with positive population growth in southern and central Sweden. The business concept is to own, manage and develop community properties, housing and defensive grocery-anchored retail. Arwidsro continues to grow through

acquisitions as well as property development and new production. The Company’s goal is to create a diversified property portfolio in retail and related services as well as community properties. Arwidsro had 18 employees per Dec 31, 2022.

As of 31 December 2022, the value of the property portfolio amounted to SEK 4.2bn, of which

SEK 3.6bn is related to grocery-anchored retail and SEK 0.6bn is related to community properties. During 2022, rental income for the total portfolio amounted to SEK 269.9m. Properties are geographically distributed but strategically concentrated in 26 municipalities, primarily in central and southern Sweden.

Arwidsro’s Sustainability Strategy & Sustainability Plan 2030

Arwidsro takes a holistic approach to enable a sustainable transition of the real estate sector. The Company’s properties are a part of society and people’s everyday life which means Arwidsro has an important responsibility as property owner to help drive the transition to a sustainable society. Thus, the Company strives to take responsibility for everything from energy efficiency to dialogues and collaborations with stakeholders to accelerate the transition. However, these are complex issues that require long-term efforts but at the same time need swift and targeted actions to get the work started.

As a community property owner, Arwidsro wants its sustainability initiatives to contribute to a sustainable everyday life for the people who work, visit and live in the Company’s properties.

SUSTAINABILITY PLAN 2030

During 2022 Arwidsro established a long-term sustainability plan with goals until 2030 to speed up and ensure the direction of its sustainability work. The sustainability plan includes 22 long-term goals with activities and related KPIs. The sustainability plan has also set the strategic direction of the Company which is summed up into three sustainability pillars. Each pillar

contains three focus areas (see next page for more details).

The 22 sustainability goals guide the Company until 2030 and Arwidsro will annually work with activities to ensure that the Company is continuously aligned with them. Arwidsro’s ambition is to be transparent to its stakeholders on the progress. Starting in 2023, all KPIs will be reported with data.

Arwidsro's sustainability plan

Future proof living environments	Partnerships	Responsible business
 Climate  Resources and resilience  Transformation of properties and business models	 Community development  Sustainable value chain  Innovation and impact	 Governance, leadership, and competence  Wellbeing, inclusion, and culture  Sustainable finance
8 Sustainability goals	4 Sustainability goals	10 Sustainability goals

For more info on the sustainability pillars incl. info on the sustainability goals for 2030 see p.14 -18 in Arwidsro's [2022 Annual Report](#).

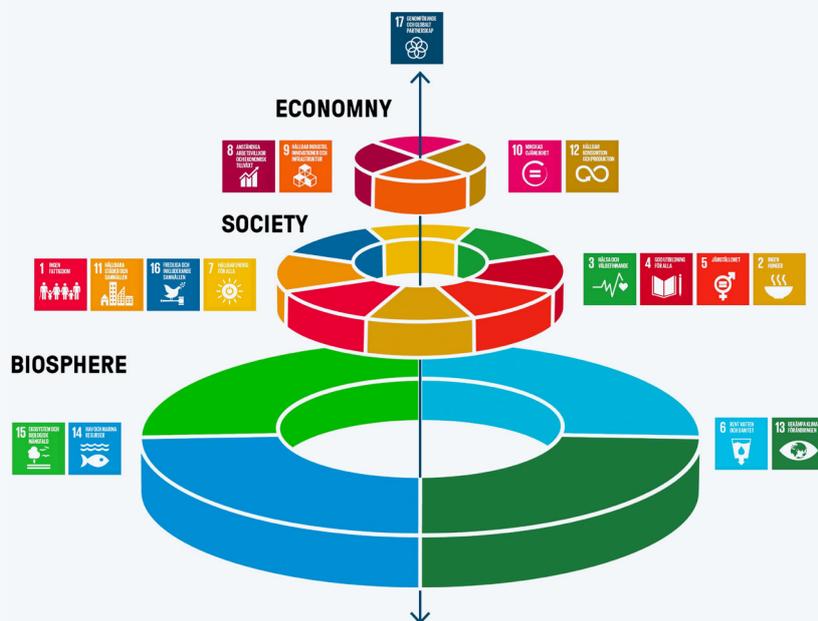
Publicly available sustainability-related policies and guidelines on Arwidsro's website

- Sustainability plan 2030
- Sustainability policy
- Environmental policy
- Code of Conduct
- Equal Treatment Policy
- Anti-Corruption Policy

International Standards and Initiatives – Sustainability Reporting

Arwidsro is committed to transparent sustainability reporting in accordance with selected international initiatives and standards.

- **Task Force on Climate-Related Financial Disclosures (TCFD)** – Arwidsro reports in accordance with TCFD since 2022
- **UN Global Compact** – Arwidsro is a committed signatory since 2020
- **SBTi** – Arwidsro is in the process to commit to SBTi which is estimated to be finalized during June 2023
- **UN Sustainable Development Goals (SDGs)** – the SDGs form the basis of Arwidsro's sustainability work. During the Company's work on developing the sustainability plan for 2030, Arwidsro made a thorough analysis of all the SDGs and targets and identified which of the targets the Company actively contributes to. Arwidsro has also included which metrics (KPIs) the Company can use to measure its contribution to the respective targets.



The Green Finance Framework

ARWIDSRÖ'S RATIONALE FOR GREEN FINANCING

The real estate sector has a large impact on the environment. According to the National Board of Housing, Building and Planning's environmental indicators, it accounts for 34% of Sweden's energy use and 21% of domestic greenhouse gas (GHG) emissions.

Combining a high rate of construction with Sweden's climate goals is a challenge. In addition to the industry's given impact areas in GHG emissions and energy, there are also design, management, materials, transportation and waste. Arwidsro works actively to reduce climate impact and include environmental and social sustainability in all projects, properties and processes.

Recognizing the importance of external green financing, Arwidsro has issued SEK 1.2 billion in green bonds since 2020, mainly to finance Green buildings.

ARWIDSRÖ'S GREEN FINANCE FRAMEWORK

This updated Green Finance Framework (the "Framework") has been developed in alignment with the Green Bond Principles from 2021 ("GBP") and the Green Loan Principles ("GLP") from 2023, thus reflects most recent market practices and standards as well as Arwidsro's latest sustainability agenda. It follows the four core components of the principles:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

The Framework is applicable for issuance of green bonds and other types of debt instruments such as loans, revolving credit facilities, hybrid bonds and commercial papers where the equivalent to the net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing projects with clear environmental benefits, as defined in this Framework (collectively referred to as "Green Financing Instruments" hereafter).

Swedbank has acted as advisor to Arwidsro in the establishment of this Framework. Further, the Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the applicable principles.

SOURCES

- ¹ <https://www.boverket.se/sv/byggande/hallbart-byggande-och-forvaltning/miljoindi-katorer---aktuell-status/>
- ² Green Bond Principles published in June 2021 (with June 2022 Appendix I) are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA)
- ³ The Green Loan Principles are voluntary recommended guidelines, developed by an experienced working party consisting of representatives from leading financial institutions and law firms active in global loan markets

Use of Proceeds

An amount equivalent to the net proceeds from Arwidsro's Green Financing Instruments shall be used to finance or re-finance, in whole, or in part, a portfolio of green eligible projects ("Green Eligible Projects"). Eligible projects are both capital expenditures/ CAPEX (could either be reported in the income statement or capitalized on the balance sheet) and operational expenditures/ OPEX. CAPEX does not have any requirement for look-back period, while OPEX does have a requirement of a maximum three-

year look-back period from the time of issuance. Green Eligible Projects aim to enable climate change mitigation as well as provide distinct environmental benefits and comply with criteria detailed in the table on the following page. The Company will continuously exercise its professional judgment, discretion and sustainability expertise when identifying the Green Eligible Projects. Refinancing refers to Green Eligible Projects that have been finalized 12 months prior to the reporting year.

EU TAXONOMY

Arwidsro strives to align the Green Use of proceeds with the EU Taxonomy to the extent possible. The EU Taxonomy is a classification system with six environmental objectives. The Green Eligible Project categories have been mapped to the relevant economic activities and *environmental objective; Climate Change Mitigation*, which are presented in the table on the following page.

I. New buildings (built after 31 December 2020) that either have or will receive:

Own production

- Minimum certification of Miljöbyggnad Silver, BREEAM Very Good or an equivalent level from a certification scheme in combination with a NollCO2 certification and a Primary Energy Demand (PED) at least 20% lower than threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations, or
- PED at least 20% lower than threshold set for NZEB according to national building regulations, or
- EPC A or B, and
- For buildings larger than 5000m²:
 - The building undergoes testing for air-tightness and thermal integrity, upon completion; and
 - The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle

Acquired buildings

- Minimum certification of Miljöbyggnad Silver, Miljöbyggnad iDrift Silver, BREEAM Very Good, BREEAM In-Use Very Good or an equivalent level from a certification scheme in combination with a PED at least 10% lower than threshold set for NZEB according to national building regulations

II. Existing buildings (built before 31 December 2020) that either have or will receive:

- Minimum certification of Miljöbyggnad Silver, Miljöbyggnad iDrift Silver, BREEAM Very Good, BREEAM In-Use Very Good or an equivalent level from a certification scheme in combination with EPC A or B or within top 15% of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence

III. Major renovations

- Major renovations and re-construction leading to primary energy savings of at least 30%

In addition to the **criteria mentioned above**, Arwidsro will i) calculate the building's emissions and ii) set emission reduction targets for 2030 as well as fulfil a **minimum 3** of the following criteria:

- Installation of solar panels on the roof
- Green roof and/or carbon sinks
- The building participated in Arwidsro's re-use and recycling of materials initiative
- Infrastructure for sustainable transportation i.e., close proximity to public transportation, chargers for electric vehicles, bicycles and/or pedestrian lanes
- Testing of innovative technology on how to reduce water usage and/or waste-water recovery
- Climate adaptation solutions have been implemented to reduce most important physical climate risks
- Implementation of biodiversity measures to ensure that there is at least an equal amount of biodiversity upon completion of the project as there was before the building was constructed. Measures include planting of flora and preservation of water course

Green Buildings
Eligible EU Taxonomy activities: 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7

Climate change mitigation



Energy Efficiency

Energy efficiency measures

Direct costs such as installation of onsite solar panels, converting to LED lighting, heat pumps, improvements in ventilation systems, extension of district heating and cooling systems, installation of infrastructure for electric cars (electric charging points)

Climate change mitigation



Process for Project Evaluation and Selection

The evaluation and selection process for Green Eligible Projects is key in ensuring that the proceeds from Green Financing Instruments are allocated to projects and activities which meet the criteria in the Framework.

GREEN FINANCE COMMITTEE

Arwidsro has established a Green Finance Committee (“GFC”) that meets on a regular basis. Members of the GFC consist of the Chairman, CEO, CFO, Head of Sustainability, and the Head of Transactions. All decisions are made in consensus, and that applies to the selection process of Green Eligible Projects as well. A list of Green Eligible Projects is kept by the Finance Department which is responsible for making sure this list is up to date.

RESPONSIBILITIES OF THE GFC

The GFC is responsible for evaluating the compliance of the proposed Green Eligible Projects with the eligibility criteria outlined in the Use of Proceeds section. This includes ensuring that the pool of Green Eligible Projects

is aligned with the categories and criteria, as specified in the Use of Proceeds section, as well as replacing investments that no longer meet the eligibility criteria. The GFC will also approve the Green Finance Report. Further, the GFC will ensure that Green Eligible Projects adhere to applicable laws and regulations as well as Arwidsro’s environmental policy and sustainability policy. Further, the GFC will also monitor internal processes to identify environmental and/or social risks associated with the Green Eligible Projects.

The list of Eligible Green Projects is monitored by GFC on a regular basis during the term of the Green Financing Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Projects. Swedbank has acted as advisor

to Arwidsro in the establishment of this Framework. Further, the Framework is reviewed by an impartial firm, which has provided a second opinion to confirm its alignment with the applicable principles.

EXCLUSIONS

The net proceeds of Arwidsro’s Green Financing will not be used to finance fossil fuel energy generation, nuclear energy generation, the weapons and defense industries, potentially environmentally negative resource extraction, gambling or tobacco.

Management of Proceeds

TRACKING OF NET PROCEEDS

Net proceeds from Arwidsro’s Green Financing Instruments will be tracked by using a spreadsheet where all issued amounts of Green Financing Instruments will be inserted. The spreadsheet will also contain the list of Green Eligible Projects (see Section “Use of Proceeds”). The information available in the spreadsheet (allocation & impact) will in turn serve as a basis for regular reporting (see Section

“Reporting”) and will be verified by an external party (see Section “External review”).

All Green Financing Instruments issued by Arwidsro will be managed on a portfolio level. This means that a Green Financing Instrument will not be linked directly to any pre-determined Green Eligible Projects. The Company will keep track and ensure there are sufficient Green Eligible Projects

in the portfolio. Projects can, whenever needed, be removed or added to/from the Green Eligible Project portfolio.

TEMPORARY HOLDINGS

Any unallocated proceeds may temporarily be placed in the liquidity reserve or any other treasury business and managed accordingly by Arwidsro. Should there be any unallocated proceeds, Arwidsro strives to allocate them within one year.

Reporting

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

In the case Arwidsro would have other Green 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 counterparts.

ALLOCATION REPORTING

The allocation report will include the following information:

- Total amount of Green Financing Instruments issued
- Share of proceeds used for financing/re-financing as well as share of proceeds
- Share of unallocated proceeds (if any)
- Examples of the relevant Green Eligible Projects
- On a best best-effort basis, information on EU Taxonomy alignment (%) of the underlying Green Eligible Projects financed by Green Financing Instruments

IMPACT REPORTING

The impact report aims to disclose the climate-related impact of the Green Eligible Projects financed under this Framework. Note that if all data cannot be collected, the impact assessment/calculations will be on a best-effort basis. Arwidsro intends to align, on a best-effort basis, the reporting with the portfolio approach described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2022)". The impact assessment will include some of the following impact indicators:

- EPC A or B
- Type of certification including level, if any (e.g. Miljöbyggnad iDrift Silver)
- Information on average primary energy demand (if available)
- Estimated annual greenhouse gas emissions reduced or avoided per sqm (CO2 kg/sqm)
- Amount of energy saved per sqm (kWh/sqm)

External Review

SECOND OPINION

To confirm the transparency and robustness of Arwidsro's Green Finance Framework, it is verified and approved by an external second opinion provider. The second opinion by CICERO is available on Arwidsro's website; arwidsro.se together with this Framework.

EXTERNAL VERIFICATION

Allocation of proceeds will be subject to an annual review by an independent party. The verification report provided by the independent party will be published on Arwidsro's website; arwidsro.se.

