

Green Bond / Green Bond Programme

Independent External Review Form

Section 1. Basic Information

Issuer name: Besqab AB

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: *[specify as appropriate]*

Independent External Review provider's name: CICERO Shades of Green

Completion date of this form: 29 April 2021

Publication date of review publication: *[where appropriate, specify if it is an update and add reference to earlier relevant review]*

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- | | |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Scoring/Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

It is expected that the majority of proceeds from Besqab's Green Finance Framework will be allocated towards the category Green and Energy Efficient Buildings with criteria based on the Nordic Swan Ecolabel and Miljöbyggnad Silver, or Energy Performance Certificate A or B. Renovation leading to at least 30% improvement in energy use is also eligible under this category. The other eligible category is Energy Efficiency. Initially the largest share of the proceeds under the framework will be for new financing. The look back period for re-financing will be up to two years.

Besqab supports and will follow the national road map for climate neutral construction and shares the objective of being climate neutral by 2045. The road map stipulates that actors in the building and

construction sector should measure their greenhouse gas (GHG) emissions and decide on climate targets by 2022, have reduced their GHG emissions by 50% by 2030 relative to 2015, and further reduced them by 75% by 2040. Meanwhile, Besqab has set as targets to ensure certification of all projects according to Nordic Swan Ecolabel or Miljöbyggnad Silver. Currently, Besqab does not report on greenhouse gas emissions. Besqab considers climate risks related to flooding and temperatures in the design phase or before a property is bought, and introduce mitigating actions accordingly. They do not, however, follow the TCFD recommendations and climate scenario analysis. Besqab's policy towards sub-contractors largely follows from the Nordic Swan Ecolabel requirements. The requirements of this classification schemes applies to all parties involved in the construction of the building.

Based on the overall assessment of the eligibility criteria in the green finance framework, governance and transparency considerations, the framework receives an overall **CICERO Medium Green shading**. In order to achieve a Dark Green shading, the green finance framework would need stronger eligibility criteria in the Green and Energy Efficient Buildings category.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

An amount equivalent to the net proceeds from Besqab's green finance instruments shall be used to finance or re-finance, in part or in full, eligible assets providing distinct environmental benefits ("Green Eligible Assets"). The criteria for eligibility covers the categories Green and energy efficient buildings and Energy efficiency. The issuer informs us that initially the largest share of the proceeds will be for new financing in the Green and Energy Efficient Buildings category. The look back period will be up to two years. Later, re-financing of nursing homes may become relevant.

Green eligible assets can be owned by Besqab or by any of its subsidiaries or joint ventures. For the latter mentioned, the value of green eligible assets is to be adjusted for the share of capital owned by Besqab. The proceeds of Besqab's green finance instruments will not be used to finance either fossil fuel energy generation, nuclear energy generation, weapons and defence industries nor potentially environmentally negative resource extraction, gambling or tobacco. Besqab will follow the development of the green financing market and manage any future updates of the Green Finance Framework to reflect current and future market practices (e.g. relating to the EU taxonomy) and potential updates to the Green Bond Principles and Green Loan Principles.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

According to the issuer, Besqab will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the eligible assets. The selection of eligible assets is managed by a

dedicated group, the Green Finance Committee (“GFC”). Members of the GFC consist of the CEO, CFO and Technical Manager. The Technical Manager holds the sustainability expertise as of now, and going forward Besqab will assure that the sustainability expertise always relies within the GFC. All decisions are made in consensus, and this applies to the selection process of eligible assets as well. The selection decisions are independently reviewed once a year by an external expert. A list of eligible assets is kept by the Finance Department who is also responsible for keeping it up to date.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

CICERO Green finds the management of proceeds of Besqab to be in accordance with the 2018 Green Bond Principles and Green Loan Principles.

The list of eligible assets is monitored on a regular basis during the term of the green finance instruments to ensure that the proceeds are sufficiently allocated to eligible assets. This is also a responsibility of the GFC. Equivalent to the net proceeds from Besqab's green finance instruments will be tracked by using a spreadsheet where all issued amounts of green finance instruments will be inserted. The spreadsheet will contain the list of eligible assets. Information available in the spreadsheet will in turn serve as basis for regular reporting.

All green finance instruments issued by Besqab will be managed on a portfolio level. This means that a green finance instrument will not be linked directly to one (or more) pre-determined eligible assets. Besqab will keep track and ensure there are satisfactory eligible assets in the portfolio.

Assets can, whenever needed, be removed or added to/from the eligible assets' portfolio. Any unallocated proceeds will be temporary held by Besqab and placed on the company's ordinary bank account.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

To be fully transparent towards investors and other stakeholders, Besqab commits to regular reporting until no green finance instruments are outstanding. The Finance Department will be responsible for the reporting. The report will be published on the company's website (<https://investors.besqab.se>) on an annual basis, with the first report expected in the spring of 2022.

The allocation of proceeds reporting will be on a portfolio basis and will not be linked to an individual green finance instrument. The reporting will show total amount of green finance instruments issued, the share of proceeds used for financing/re-financing and share of proceeds used for the eligible categories, and share of unallocated proceeds (if any). Allocation of proceeds will be subject to an annual review by an external part/verifier. The verification report provided by the external part will be published on Besqab's website.

The impact reporting will also be on a portfolio basis. Besqab intends to report on quantitative impact indicators where reasonable and where relevant data is available for the two main categories:

Green and energy efficient buildings:

- Information on the energy usage in kWh/m²/year
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e/year)
- Energy performance certificate class, if any
- Type of certification including level, if any (e.g. Nordic Swan Ecolabel, Miljöbyggnad Silver, etc.)

Energy efficiency:

- Amount of energy saved per m².
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e/year)

In estimating impacts on greenhouse gas emissions, the grid factor for the Nordic mix will be used. The method will be made publicly available.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

☒ GHG Emissions / Savings

☒ Energy Savings

☐ Decrease in water use

☒ Other ESG indicators (*please specify*): Types of environmental certifications.

Means of Disclosure

☐ Information published in financial report

☒ Information published in sustainability report

☐ Information published in ad hoc documents

☐ Other (*please specify*):

☒ Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*): Allocation report.

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (*e.g. to review provider methodology or credentials, to issuer's documentation, etc.*)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

☐ Second Party Opinion

☐ Certification

☐ Verification

☐ Scoring/Rating

☐ Other (*please specify*):

Review provider(s): CICERO Shades of Green

Date of publication: 29 April 2021

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

1. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
2. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
3. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
4. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.