



Wästbygg Gruppen AB Shades of Green Assessment Update 2022

May 27, 2022

Sector: Real Estate

Region: Nordics

EXECUTIVE SUMMARY

Wästbygg Gruppen AB is a Swedish construction & development company founded in 1981 focused on developing residential, commercial and logistical/industrial properties in the Swedish market. Through the group companies Logistic Contractor and Rekab, Wästbygg is also represented across the Nordic region.

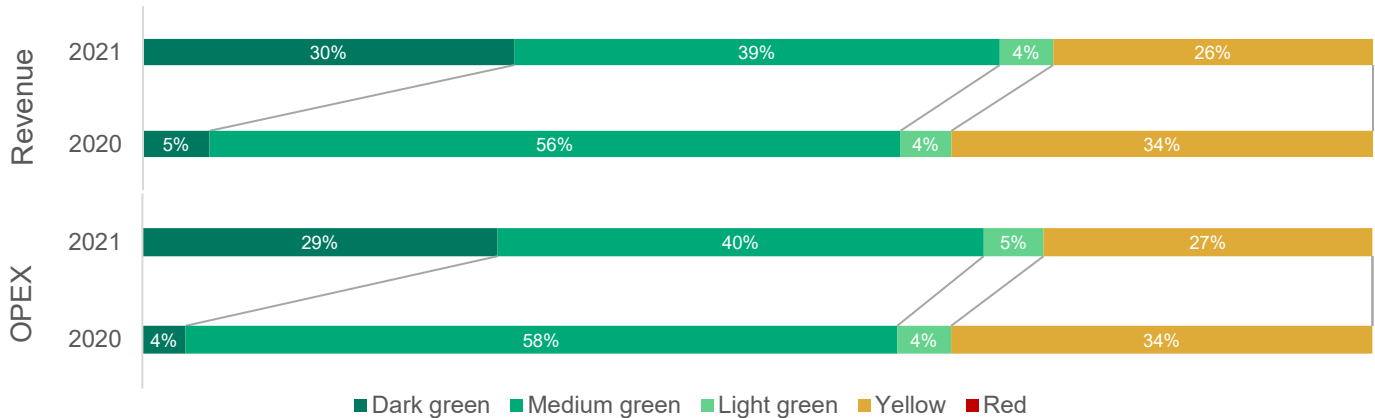


Figure 1: Shading of revenue and costs for Wästbygg from 2020 to 2021

In 2021, 74.0% of revenue and 73.3% of operating expenses (OPEX) came from assets with a Shade of Green. The share of green revenue and OPEX has increased year-over-year by 8% and 7%, respectively. 26% of revenues and 27% of OPEX have been allocated a shade of Yellow, where the properties did not fulfil the green criteria or where data is lacking because the project is in the early stages of development. Wästbygg, as a construction and project development company, had no investments (CAPEX) in 2021. Hence, the sum of CAPEX and OPEX allocated a Shade of Green is 73.3%.

The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future and has been assigned to exceptionally energy-efficient properties. Medium Green is allocated to projects and solutions that represent steps towards the long-term vision but are not quite there yet and is assigned to highly energy efficient properties. Miljöbyggnad Silver and Nordic Swan Ecolabel are considered sufficiently stringent to qualify for Medium Green. Light Green is assigned to energy efficient properties, with projected energy use of at least 10 % below national regulation.

The updated analysis of properties is based on our assessment of Wästbygg's governance and management of these key environmental concerns: Construction

Nasdaq Green Designation Annual Renewal¹

Based on this review, CICERO Green assesses that Wästbygg meets the Nasdaq Green Equity Designation requirements for annual renewal as set out in the Nasdaq Green Equity Principles.



¹ CICERO Shades of Green is an approved reviewer to assess alignment with the Nasdaq Green Equity Principles, [Nasdaq.com/Solutions/Nasdaq-Nordic-Green-Designations](https://www.nasdaq.com/Solutions/Nasdaq-Nordic-Green-Designations)

² For the purpose of this assessment, revenue and turnover are used interchangeably, as are operating costs and OPEX, investments and CAPEX



emissions, Energy Management, Building certifications, Materials and waste, Climate Resilience & Transportation solutions. The main share of Wästbygg's emissions (66.3%) are Scope 3 emissions, coming from heavy transport, goods and services in the supply chain and business trips. It is a strength that Wästbygg has established targets to reduce the Scope 3 emissions, among others related to emissions from business trips, waste and emissions from transport of material. Furthermore, Wästbygg has decided that all self-developed residential and commercial properties shall be certified according to Nordic Swan Ecolabel, Miljöbyggnad Silver or equivalent, including energy thresholds. This is positive and will contribute to a continued focus on energy efficiency. However, the current energy intensity level is partly due to requests from the current client base. CICERO Green encourages Wästbygg to establish its energy intensity targets to ensure continued high energy performance. Further, we note that it's a pitfall that Wästbygg could not provide data on average energy use, energy grade, and gross floor area for all its properties.

Wästbygg's projects are exposed to physical climate risk. Wästbygg has recently conducted a climate risk assessment of its properties, where climate risks have been identified and assessed. Furthermore, a risk assessment structure has been established, including an overarching strategy, an implementation plan, and accompanying policies. The company aims to conduct climate scenario analysis following the TCFD recommendations at a later stage, where the key findings will be reported through its annual sustainability report.

The relevant EU Taxonomy criteria for Wästbygg is Construction of new buildings. All of Wästbygg's activities can be considered eligible under the EU taxonomy criteria. CICERO Green assess that Wästbygg had no fully taxonomy-aligned turnover or OPEX in 2021. It is likely that 74% of turnover and 73.3% of OPEX would be aligned with the technical energy efficiency threshold for the mitigation criteria. Wästbygg is planning to conduct the required GWP calculations for all buildings over 5000 m2 from 2022, which would align a larger degree of the associated revenue streams and OPEX costs with the additional mitigation criteria. The company currently has some gaps in DNSH requirements for Climate change adaptation and Sustainable use and protection of water and marine resources criteria. Furthermore, alignment to the Pollution prevention and control criteria cannot be confirmed for contracted developments, nor can full alignment with the criteria under Protection and restoration of biodiversity and ecosystems.

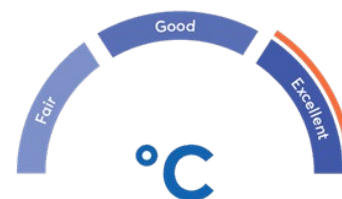


Figure 2: CICERO Green maintains an excellent rating for Wästbygg's governance structure and practices

Wästbygg's has a comprehensive sustainability strategy, including social, financial and environmental sustainability. The company has signed the Roadmap for Fossil-Free Competitiveness for the construction sector to be fossil-free within 2045. Investors should be aware that up to 15% of the emissions reduction can come from climate compensation. Wästbygg has worked towards improving its procurement practices and has, amongst other initiatives, established a Code of Conduct including suppliers and sub-contractors. The establishment of an ethical council and a whistleblower function could further support identifying potential and actual social risks CICERO Green considers that Wästbygg mainly fulfil the minimum social safeguards of the EU Taxonomy.

Table 1: Sector Specific Metrics for Wästbygg

	Scope 1+2	Construction waste sorted (% of total)	Environmentally certified (% of properties)
2019	907	83%	N/A
2020	506	87%	49%
2021	416	88%	64% ³

³ Does not include properties carried over from the acquisition of Rekab Entreprenad AB as of Q4 2021.



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1 Wästbygg key developments 2021

Company update

Wästbygg Gruppen AB (Wästbygg) is a construction and project development company founded in 1981 with offices across Sweden. Wästbygg is also represented in Norway, Denmark, and Finland through the group company Logistic Contractor AB. Wästbygg has been listed on the Nasdaq Stockholm exchange since October 2020. Total revenues in 2021 amounted to 3 949 million SEK.

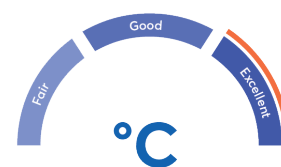
On the 24th of September 2021, Wästbygg entered into an agreement to acquire all shares of the construction company Rekab Entreprenad AB (Rekab), based in northern Sweden⁴. Rekab's core segment is within the public infrastructure space, where projects include public schools, hospitals, and swimming halls. The acquisition was completed on the 28th of September 2021, and Rekab has since been operating and reporting within the Wästbygg Group as a sister company. Rekab's reported Q4 revenue, costs, and investments have been included in the overall update of the assessment for Wästbygg revenues and investments.

On the 16th of November 2021, Wästbygg successfully issued a senior unsecured green bond of 500m SEK under a framework of 800m SEK⁵. The net proceeds will be used in accordance with Wästbygg's Green Finance Framework.

Governance Update

We maintain our overall assessment of Wästbygg's governance structure and processes with a rating of **Excellent**.

Wästbygg's has a comprehensive sustainability strategy including social, financial and environmental sustainability, which is well anchored within the management. The company has signed the Roadmap for Fossil-Free Competitiveness for the construction sector to be fossil free within 2045. Further, it has established KPIs and targets to reduce its main emissions sources from electricity, heating, transport, and waste by 2030. CICERO Green is encouraged by Wästbygg's systematic approach to reduce emissions from the construction sites e.g., using the Climate-Smart Construction Sites tool. Wästbygg is reporting Scope 1, 2 and 3 emissions (except materials), and is including relevant KPIs in their sustainability report. Since our last assessment, Wästbygg has conducted a systematic climate risk assessment to identify physical risks affecting their operations. The company aims to report on its key findings following the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations through the annual sustainability report.



Wästbygg has decided that all self-developed residential and commercial properties shall be certified according to Nordic Swan Ecolabel or Miljöbyggnad Silver, which include energy thresholds. The building certification schemes chosen by Wästbygg have energy efficiency thresholds. Going forward, CICERO Green encourages Wästbygg to establish energy intensity targets for all projects, including contracted developments.

⁴ [Wästbygg Group signs agreement to acquire Rekab Entreprenad](#)

⁵ [Wästbygg - Green Bond](#). Wästbygg's Green Finance Framework was assessed by CICERO Shades of Green on the 5th of May 2021, and received an overall Medium Shade of Green with a governance score of Excellent.



The company has established a Code of Conduct (CoC) covering employees, sub-contractors and suppliers. According to the CoC, sub-contractors must commit to certain working conditions for their employees and submit risk analyses related to the work environment. Wästbygg has established an ethical council to help the company identify potential social risks and a whistleblower function to inform about actual incidents. In addition to contractors, Wästbygg's supply chain consists of sourcing materials. The use of Byggvaru-bedömmningen, Basta and Sunda Hus will monitor the chemical composition of the construction materials used, but will not discover issues related to, e.g., workers' rights. CICERO Green considers that Wästbygg mainly fulfil the minimum social safeguards of the EU Taxonomy. However, the company could still further screen its suppliers to identify if products and sourcing countries require extra caution and follow-up.

Key performance indicators

KPI Category	2019	2020	2021 ⁶
Construction waste sorted (% of total)	83%	87%	88%
Environmentally certified (% of properties)	N/A	49%	64% ⁷

In 2021 88% of the construction waste was sorted, demonstrating meaningful progress over the last three years. In the tool Climate-Smart Construction Sites, there is a requirement that 90% of the waste shall be sorted, encouraging waste sorting on the construction sites. The company also has a long-term target to minimise the amount of waste and to create a circular process where more recycled materials are used. Wästbygg is also showing good progress on the increase of the total percentage of environmentally certified properties, increasing from 49% to 64% year-over-year (excluding new properties from the Rekab acquisition).

Energy Source	2020			2021		
	Amount	% Renewable	GHG emissions	Amount	% Renewable	GHG emissions
Electricity	6588 MWh	92.5%	209 tco2e	5460 MWh	90%	238 tCO2e
District Heating	2097 MWh	92%	136 tco2e	1427 MWh	95%	96 tCO2e
Other provisional heating	Diesel: 55,676 litres HVO: 342 litres Pellets: 737 MWh Gasoline: 153 kg	N/A	123 tco2e	Diesel: 12 421 litres HVO: 8 868 litres Pellets: 1 612 MWh RME: 21 133 litres Gasoline: 538 kg	N/A	79 tCO2e

⁶ According to Wästbygg, its initial target of sorting 100% of construction waste has been reduced to 90% mainly due to practical reasons.

⁷ Does not include properties carried over from the acquisition of Rekab Entreprenad AB as of Q4 2021.



In 2021, Wästbygg was notably able to reduce its use of diesel by 78%. Significant increases in the use of hydrotreated vegetable oil fuels (HVO), RME, and energy sourced from pellets are also notable changes from last year's report - which led to meaningful reductions in overall GHG emissions. For district heating, Wästbygg was able to further reduce its GHG footprint by increasing the use of renewable energy sources by around 3%.

Table 4: The table summarises Wästbygg's CO₂-emissions and main CO₂-emission reduction targets

Emissions	Total (tons)	Scope 1	Scope 2	Scope 3
Main Targets	Net zero emissions by 2030.	100% renewable fuel in temporary construction heat by 2030. Reduction in energy use. 98% reduction in emissions.	100% use of renewable electricity by 2030. Increase the amount of fossil free district heating to 100% by 2030. 95% reduction in emissions from electricity.	Increase the share of business travels with lower CO ₂ -footprint. 100% renewable fuel in heavy transport by 2030. 95% reduction in emissions. 98% reduction in emissions from waste.
2021	1236	171	245	820
2020	1,672	261	245	1,166
2019	2,253	589	318	1,345
Change 2020-2021	(26%)	(34.4%)	0%	(29.6%)
Main sources		Scope 1 emissions result from combustion of fossil fuels mainly at the construction site and represented 13.8% of total registered emissions.	Use of electricity, district heating and cooling, represented 19.8% of the emissions.	Scope 3 represent 66.3%, coming from e.g., heavy transport, goods and services in the supply chain, and business trips. Emissions from use of materials are not covered.

On the whole, Wästbygg has been able to meaningfully progress towards its targets for its scope 1-3 GHG emissions, where scope 1-3 was reduced by 34.4%, 0%, and 29.6%, year-over-year. Hence, its annual interim target to reduce its overall GHG emissions by 30% in 2022 has been achieved.

The use of fossil fuel from construction sites has also been reduced by 1.8% and represented 13.8% of total emissions in 2021.

Investors should note that emissions stemming from the newly acquired group company Rekab have not been included. According to Wästbygg, Rekab's data and reporting on emissions will be included when feasible. Thus, an increase in GHG emissions and associated energy use should be expected for next year's reporting.

⁸ CO₂e, carbon dioxide equivalent is a measurement term for greenhouse gas accounting.



2 Assessment of Wästbygg's revenues, operating costs and investments

Shading of Wästbygg's revenue, operating expenses and investments

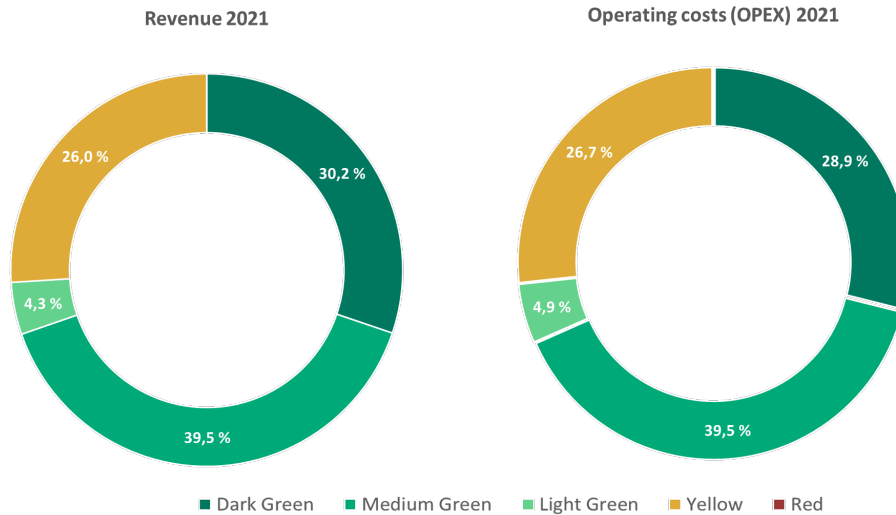


Figure 3: Wästbygg 2021 revenue and operating expenses by Shade of Green. Revenue includes development gains.⁹

The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. A shading has been allocated to each property in the portfolio. We have used the design specifications of building projects, e.g. planned environmental certification schemes and energy levels, when allocating a shading to each project. Our analysis of the properties is positively influenced by our assessment of Wästbygg's Governance Score of Excellent and the company's management of some key environmental concerns, specifically Wästbygg's work to reduce the environmental impact of construction sites. Given Wästbygg's governance and management of key concerns, we have assigned a shade to each property based on the following:

Dark Green is assigned to exceptionally energy efficient properties, Swedish EPC label A or a projected energy use of at least 50% below national regulations (in Sweden BBR), and either a high level of certification or additional low carbon technologies including e.g. heat pumps. For example, one Dark Green property is certified with Miljöbyggnad Gold, an energy use of 51% better than BBR, in addition to installed solar panels and EV charging.

Medium Green is assigned to highly energy efficient properties, Swedish EPC label B or a projected energy use of at least 20% below national regulation. Most Medium Green buildings also have green building certifications or additional low carbon technologies including EV charging stations, rooftop solar and green roofs. Miljöbyggnad

⁹ For the purpose of this assessment, revenue and turnover are used interchangeably, as are operating costs and OPEX, investments and CAPEX. The figure is aligned with Wästbygg's financial reporting; however, some minor discrepancies may occur as our analysis requires allocating revenue, operating expenses, and investments to specific projects. The shading methodology from the original company assessment of Wästbygg has been applied to this company assessment update, where criteria per project have been assessed as described above.



Silver and Nordic Swan Ecolabel are considered sufficiently stringent to qualify for Medium Green, also with an energy use slightly more than 20% under national regulation.

Light Green is assigned to energy efficient properties with projected energy use of at least 10% below national regulation qualify as light green. Some Light Green properties have additional low carbon technologies like rooftop solar.

For properties not fulfilling any of the above criteria, a shade of yellow is allocated. The yellow category is also used for assets where data is lacking because the project is in the early stages of development. These building may qualify for a shade of green when they are at a more advanced stage. No buildings were given the red shading. Wästbygg has a small share of income, expenses and investments that could not be allocated to specific projects, these were allocated the Medium Green shading, based on our assessment of the project portfolio, governance and management of key issues.

Investors should note that our shading is based on projected data; there is always a risk that the project's actual certification level or energy use is not met. It is also common for actual energy use to deviate somewhat from design values given the varying energy management of end-users of buildings.

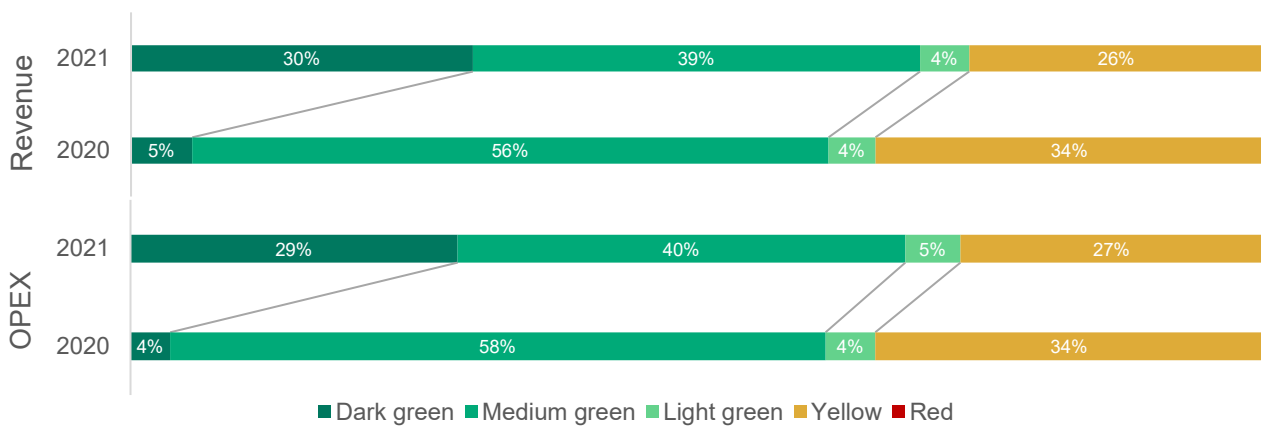


Figure 4: Comparison of shading of Wästbygg's revenues, operating expenses (OPEX) for 2020 and 2021.

Based on this approach, we find that 30% of the revenues in 2021 came from assets considered Dark Green, up from 5% in 2020, 39% came from Medium Green, down from 56% in 2020, and 4% from light green, flat from 2020. Thus, 74% of the revenues came from assets with a Shade of Green, up respectively 8% year-over-year. Operating expenses are distributed similarly, where 29% are shaded Dark Green, 40% Medium Green and 5% Light Green. In sum, 73% of operating expenses are from assets with a Shade of Green, up 7% year-over-year.

Wästbygg has a current order stock of 6,455 M SEK, which has increased two-fold year-over-year, mainly due to the completed acquisition of Rekab. Given the currently available data, it is likely that as much as ~65% of the value of the order stock could be assigned a Shade of Green when assessing project-specific data. This is 5% lower than last year, mainly due to the acquisition of Rekab – which currently has less available data for each property assessed.

Investors should note that our assessment is based on data reported or estimated by the company and has not always been verified by a third party. We analyse revenue, operating costs and investments, however there is



typically not an explicit link between sustainability and financial data¹⁰. Our shading often requires allocating line items in financial statements to projects or products, for this we rely on the company's internal allocation methods.

In addition, there are numerous ways to estimate, measure, verify and report e.g. data on emissions, which may make direct comparisons between companies or regulatory criteria difficult and somewhat uncertain.

Nasdaq Green Designation

CICERO Green confirms that Wästbygg meets the requirements for Nasdaq Green Equity Designation set out in the Nasdaq Green Equity Principles.

In 2022, 74% of Wästbygg's turnover came from assets with some Shade of Green, exceeding the 50% threshold for green activities for company turnover. Wästbygg had no CAPEX in 2021. Therefore, the sum of CAPEX and OPEX allocated a Shade of Green is 73.3%. This exceeds the 50% threshold for investments, defined as the sum of CAPEX and OPEX. In 2021, Wästbygg had no turnover assessed shaded Red, meeting the threshold of less than 5% of the company's turnover being derived from fossil fuel activities.

In addition, this report provides transparency on alignment of the company's activities with the EU Taxonomy and transparency on the company's environmental targets and KPIs is provided.

EU Taxonomy update

The mitigation criteria in the EU taxonomy includes specific thresholds for the Construction of new buildings¹¹. Comments on alignment are given in the table below, and detailed thresholds, NACE-codes and likely alignment with DNSH criteria are given in Appendix 2. Overall, we find likely shares of portfolio alignment with the EU Taxonomy as follows:

Table 5: Overall EU Taxonomy alignment (Technical Criteria + DNSH + minimum safeguards)	Revenue	OPEX	CAPEX
Total share eligible (activities covered by criteria)	97.6%	97.4%	N/A
Total share likely aligned	0%	0%	N/A
Total share likely aligned with energy efficiency criteria	74.0%	73.3%	N/A
Total share likely fully aligned to Technical Criteria only ¹²	36.8%	36.6%	N/A

We find that the total share of eligible revenues and OPEX under the taxonomy activity Construction of new buildings was 97.6% and 97.4%, respectively. The remaining share is eligible for the taxonomy activity of Renovation of existing buildings, where such revenues and OPEX originate from Rekab's business activities.

¹⁰ Most accounting systems do typically not provide a break-down of revenue and investments by environmental impact, and the analysis may therefore include imprecisions and may not be directly comparable with figures in the annual reporting

¹¹ The recent acquisition of the group company Rekab, which has business activities specialized in renovating existing buildings, would most likely introduce the additional technical screening and DNSH criteria covered in the taxonomy classification 'Renovation of existing buildings'. Due to limited data, such additional criteria have not been included in this company assessment update for 2021.

¹² Total share likely aligned to technical mitigation criteria pertain to properties meeting the energy efficiency criteria, including properties smaller than 5000m²



However, due to limited available data, we have not been able to assess Rekab's small share of renovation activity against the specific taxonomy criteria outlined for such activities.

Furthermore, we find that 74.0% of revenue and 73.3% of OPEX are likely aligned with the energy efficiency criteria included under the technical mitigation screening criteria. These criteria reflect the criteria outlined for a shade of green.

Lastly, we find that 36.8% of revenues and 36.6% for OPEX meet all requirements under the technical mitigation screening criteria.

Table 6: Economic Activity: Construction of new buildings (NACE Code F41.1, F41.2)		
Technical	Full assessment from 2021	Updated comments on alignment
Mitigation Criteria	<ul style="list-style-type: none"> ✓ The eligible share of revenue, OPEX and CAPEX in 2020 was 100%, 100% and 100% respectively ✓ Likely partially aligned (65% turnover, 66% OPEX & 100% CAPEX) ✓ Likely aligned to criteria related to airtightness and thermal integrity ✓ Likely not aligned to GWP-requirement for current projects 	<ul style="list-style-type: none"> ✓ The eligible share of revenue and OPEX in 2021 was 97.6% and 97.4%¹³. Wästbygg had no CAPEX in 2021¹⁴ ✓ Likely partially aligned revenue and OPEX with energy efficiency criteria for 2021 was 74.0% and 73.3%, respectively ✓ Likely aligned to requirements on airtightness and thermal integrity ✓ Likely not aligned to GWP-requirement for current projects¹⁵, implying that likely fully aligned share of revenue and OPEX in 2021 was 36.8% and 36.6%
DNSH-criteria	Full assessment from 2021	Updated comments on alignment
Climate Change Adaptation	✓ Likely partly aligned	✓ Likely partly aligned
Sustainable use and protection of water and marine resources	✓ Likely not aligned	✓ Likely not aligned due to lack of control of water use in non-residential buildings where non-residential buildings accounted for 71.7% of revenue and OPEX in 2021
Transition to a circular economy (circular economy)	✓ Likely aligned	✓ Likely aligned

¹³ The remaining share is eligible for the taxonomy activity of Renovation of existing buildings, where such revenues and OPEX originate from Rekab's business activities. However, due to limited available data, we have not been able to assess Rekab's small share of renovation activity against the specific taxonomy criteria outlined for such activities.

¹⁴ For 2021, capex spend for Wästbygg was 0.

¹⁵ Wästbygg intends to meet the GWP calculation criteria by 2022, where all buildings larger than 100m² will be included in GWP calculations.



Pollution prevention and control	✓ Likely aligned for self-developed properties	✓ Likely aligned for self-developed properties
	✓ Alignment for contracted developments cannot be confirmed	✓ Alignment for contracted developments cannot be confirmed

Protection and restoration of biodiversity and ecosystems	✓ Likely aligned with EIA-requirement.	✓ Likely aligned with EIA-requirement
	✓ Alignment towards construction on arable or forested land for existing properties cannot be confirmed.	✓ Alignment towards construction on arable or forested land for existing properties cannot be confirmed













3 Terms and methodology

This analysis aims to be a practical tool for investors, lenders, and public authorities for understanding climate risk. CICERO Green encourages the client to make this annual update to the company assessment publicly available. If any part of the annual update or company assessment is quoted, the full report must be made available. Our annual assessment update, including governance, is relevant for the reporting year covered by the analysis. This annual assessment update is based on a review of documentation of the client's policies and processes, as well as information provided to us by the client during meetings, teleconferences, and email correspondence. In our review, we have relied on the correctness and completeness of the information made available to us by the company.

Shading corporate revenue and investments

Our view is that the green transformation must be financially sustainable to be lasting at the corporate level. Therefore, we have shaded the company's current revenue-generating activities, investments, and operating expenses.

The approach is an adaptation of the CICERO Shades of Green methodology for the green bond market. The Shade of Green allocated to a green bond framework reflects how aligned the likely implementation of the framework is to a low carbon and climate resilient future, and we have rated investments and revenue streams in this assessment similarly. We allocate a shade of green to the revenue stream and investments according to how these streams reflect alignment of the underlying activities to a low carbon and climate resilient future and taking into account governance issues.

SHADES OF GREEN	EXAMPLES
 Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.	 Solar energy projects
 Medium green is allocated to projects and solutions that represent steps towards the long-term vision but are not quite there yet.	 Green buildings with a high level of certification and energy efficiency
 Light green is allocated to transition activities. These projects and solutions could have lower emissions, but do not by themselves represent or contribute to the long-term vision.	 Substantially more efficient manufacturing of fossil fuel intensive materials
 Yellow is allocated to projects and activities that do not contribute to transition. These activities could have some emissions and be exposed to climate risks. This category also includes activities with too little information to assess.	 Efficiency in fossil fuel infrastructure
 Red is allocated to projects and activities that have no role to play in a low-carbon and climate resilient future. These are heaviest emitting assets, with the most potential for lock-in of investments and risk of stranded assets.	 New infrastructure for coal

In addition to shading from dark green to red, CICERO Shades of Green also includes a governance score to show the robustness of the environmental governance structure. When assessing the governance of the company,



CICERO Green looks at five elements: 1) strategy, policies, and governance structure; 2) lifecycle considerations including supply chain policies and environmental considerations towards customers; 3) the integration of climate

considerations into their business and the handling of resilience issues; 4) the awareness of social risks and the management of these, and 5) reporting. Based on these aspects, an overall grading is given on governance strength, falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

The EU Taxonomy, first introduced in 2020, seeks to set out common classification systems to determine the environmental sustainability of activities. The EU-taxonomy regulation¹⁶ defines six environmental objectives. To be considered environmentally sustainable, an activity must substantially contribute to one or more of the six objectives, not significantly harm any of the other six objectives (Do-No-Significant-Harm - DNSH), and comply with the technical screening criteria (TSC). In June 2021, EU published its delegated acts outlining the TSC for climate adaptation and mitigation objectives, respectively, which it was tasked to develop after the Taxonomy Regulation entered into law in July 2020¹⁷.

CICERO Green has assessed potential alignment against the mitigation thresholds and the DNSH criteria in the delegated acts published in June 2021 in the full assessment of the company carried out in 2021¹⁸.

In order to qualify as a sustainable activity under the EU regulation 2020/852 certain minimum safeguards must be complied with. The safeguards entail alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights. CICERO Green has completed a light touch assessment of the above social safeguards with a focus on human rights and labour rights risks¹⁹. We take the sectoral, regional and judicial context into account and focus on the risks likely to be the most material social risk.

Our assessment of alignment against the EU Taxonomy is based on a desk review of the listed source documents against the Taxonomy Delegate Act and following our own shading methodology.

About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green, sustainability and sustainability-linked bond investments. CICERO Green also provides

¹⁶ EU-Taxonomy regulation (2020/852), <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN>

¹⁷ [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2800-annex-1_en.pdf) (europa.eu)

¹⁸ [Wästbygg Gruppen – CICERO Shades of Green Company Assessment 2021](#)

¹⁹ CICERO Green is in the process of further developing its assessment method to ensure that it encompasses the object and purpose of the minimum safeguards.



Company Assessments, providing an assessment and shading of a company's revenues and investments as well as assessing the governance structure to indicate the greenness of a company.

CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).





Appendix 1: Referenced documents list

Document Number	Document Name	Description
1	Financial data and information for FY2021.	Revenues, opex, capex, on a by-property basis.
2	General data on emissions, energy mix, metrics/KPI's and other targets for 2021.	Including GHG emissions for scope 1-3 and associated metrics/KPIs and other relevant targets
3	Wästbygg annual report for 2021	Integrated annual report, including sustainability reporting for FY2021
4	Wästbygg interim report from Q1-Q3	
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Appendix 2: EU Taxonomy criteria and alignment, Wästbygg

Complete details of the EU taxonomy criteria are given in [taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2021/2800/annex_1_en.pdf)

Construction of new buildings

Framework activity	Green buildings		
Taxonomy activity	Construction of new buildings (NACE Code F41.1, F41.2)		
	EU Technical mitigation criteria	Comments on alignment	Alignment update
Mitigation criteria	<ul style="list-style-type: none"> Substantial contribution to climate change mitigation <p>Constructions of new building, eligible if:</p> <ul style="list-style-type: none"> The Primary Energy Demand is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national regulation. The energy performance is certified using an Energy Performance Certificate (EPC). For buildings larger than 5000 m², upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing. For buildings larger than 5000 m², the life cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand. 	<p>To support Wästbygg's equity framework, CICERO Green has assessed alignment of revenue, operating costs and investments. For this analysis the Primary Energy Demand criteria is evaluated on a property-by-property basis. The energy efficiency threshold for Light Green could likely be viewed as a proxy for the technical threshold. However, the use of BBR as a proxy for NZEB for the Swedish market should be clarified by the Swedish authorities.</p> <ul style="list-style-type: none"> According to the company, all buildings within the logistics and industry segment and an estimated 30-50% of the properties in the residential and commercial segments are larger than 5000m². Testing of airtightness is a requirement for BREEAM, Nordic Swan Ecolabel and Miljöbyggnad certifications. Wästbygg confirms that they are conducting theoretical calculations on airtightness, which are controlled after completion. Testing of thermal integrity is conducted for problem solving if the airtightness does not confirm the calculations. The company informs that the thermal integrity test needs a temperature lower than 10°C and is therefore not a reliable method all year around. 	<p>Total share likely aligned with energy efficiency criteria; 74.0% turnover, and 73.3% OPEX.</p> <p>Likely aligned to criteria related to airtightness and thermal integrity.</p>



		<ul style="list-style-type: none"> In Sweden, climate calculations establishing the GWP for the construction phase are a regulatory requirement from 1. January 2022²⁰. The requirement is only valid for properties seeking a construction permit after January 1, 2022. According to Wästbygg this means that only a few of their initiated projects, but all new projects, will be covered by the law. According to Wästbygg, building components that are to be climate-calculated include 80-90% of a buildings' climate impact (climate screen, load-bearing structural parts and non-load-bearing interior walls). Wästbygg confirms that they will conduct calculations of GWP resulting from the construction for buildings larger than 5000m² in line with Swedish regulations from 2022 and onwards. The company will also conduct this analysis for buildings in Denmark, Norway and Finland. 	<p>Likely not aligned to GWP-requirement for current projects, implying that likely fully aligned share of revenue and OPEX in 2021 was 36.8% and 36.3%, respectively.</p>
	<p>EU Taxonomy DNSH-criteria</p>	<p>Comments on alignment</p>	<p>Alignment</p>
Climate change adaptation	<p>The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps²¹:</p> <ul style="list-style-type: none"> (a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime; (b) where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; (c) an assessment of adaptation solutions that can reduce the identified physical climate risk. <p>The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change</p>	<ul style="list-style-type: none"> Wästbygg has conducted a systematic climate risk assessment to identify physical risks affecting its assets at a general level. The company aims to report on its key findings following the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations through the annual sustainability report going forward. Moreover, Wästbygg is aware of the physical climate risks their portfolio is exposed to and use municipal plans/maps to get information on e.g. flood risks. According to Wästbygg, projects within the logistics/industrial segment analysis are conducted to address storm water by simulating 	<p>Likely partially aligned.</p>

²⁰ <https://www.boverket.se/en/start/building-in-sweden/contractor/tendering-process/climate-declaration/>

²¹ The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.



	<p>reports, scientific peer-reviewed publications, and open source or paying models.</p> <p>For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.</p> <p>For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations.</p> <p>The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.</p>	<p>two- and five years rainfalls if the municipality does not have other requirements.</p>	
<p>Sustainable use and protection of water and marine resources</p>	<ul style="list-style-type: none"> • Where installed, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification or an existing product label²² in the Union, in accordance with the technical specifications: <ul style="list-style-type: none"> (a) wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; (b) showers have a maximum water flow of 8 litres/min; (c) WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres; (d) urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre. 	<ul style="list-style-type: none"> • Wästbygg's self-developed properties are certified according to Nordic Swan Ecolabel or Miljöbyggnad Silver, where there are requirements related to monitoring of hot water consumption and low water use taps and toilets, but not related to maximum litres of water use in the appliances. • It is currently unclear to what extent the criteria in green building standards overlap with the taxonomy requirements. Most green building standards are made up of a mix of mandatory and voluntary criteria (points), and a specific certification level does therefore not guarantee 	<p>Likely not aligned due to lack of control of water use in non-residential buildings where non-residential buildings accounted for 71.7% of revenue and OPEX in 2021</p>

²² The Taxonomy is referring to Appendix E in the Taxonomy Annex 1.



	<p>To avoid impact from the construction site, the activity complies with the criteria in the EU Water Framework Directive²³.</p> <p>Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU²⁴ and includes an assessment of the impact on water in accordance with the Water Framework Directive, no additional assessment of impact on water is required, provided the risks identified have been addressed.</p>	<p>a level of water efficiency performance across all certified buildings.</p> <ul style="list-style-type: none"> • According to the issuer, some clients have requirements related to water use. However, for buildings not constructed by Wästbygg and where clients do not have requirements related to water use and monitoring, the company confirms that no requirements other than Swedish law will be effectuated. • According to Wästbygg, general planning is the responsibility of the municipality and EIAs will be carried out on municipality level where required by national law. This includes a plan for impacts on water sources. 	
Transition to a circular economy (circular economy)	<ul style="list-style-type: none"> • At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material²⁵) generated on the construction site is prepared for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials. • Operators limit waste generation in processes related to construction and demolition. • Building designs and construction techniques support circularity and in particular demonstrate how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling. 	<ul style="list-style-type: none"> • In the tool Climate-Smart Construction Sites, there is a requirement that 90% of the waste shall be sorted and reported, and in 2021 88% of the waste was sorted. • According to Wästbygg they are focusing on reducing material waste, energy-efficient solutions, environmentally friendly materials, and on creating a healthy indoor environment in the design-stage of the development. • The company also has a long-term target to minimise the amount of waste and to create a circular process where more recycled materials are used. 	Likely aligned.
Pollution prevention and control	<ul style="list-style-type: none"> • Building components and materials used in the construction comply with the criteria set out in Appendix C to the Taxonomy Annex 1. 	<ul style="list-style-type: none"> • According to Wästbygg they use Byggvaru-bedömmningen, Basta and Sunda Hus to monitor the chemical composition of the construction material used. According to the company, this ensures that they only use material approved by national regulation, as 	<p>Likely aligned for self-developed properties.</p> <p>Alignment for contracted</p>

²³ Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy

²⁴ DIRECTIVE 2011/92/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the assessment of the effects of certain public and private projects on the environment.

²⁵ Refer to the European List of Waste established by Commission Decision 2000/532/EC



	<ul style="list-style-type: none"> • For building components and materials used in the construction that may come into contact with occupiers formaldehyde emissions are within relevant limits²⁶. • Where the new construction is located on a potentially contaminated site (brownfield site), the site has been subject to an investigation for potential contaminants²⁷. • Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works. 	<p>well as material with low climate footprint for own property developments. However, this cannot be ensured for contracted developments.</p> <ul style="list-style-type: none"> • According to the company, self-developed constructions are certified according to the Nordic Swan Ecolabel or Miljöbyggnad Silver, where there are requirements to phase out hazardous components and endocrine disruptors in line with Swedish regulation, as well as maximum limits for formaldehyde in line with the EU-taxonomy requirement. • For constructions developed for external customers where no additional requirements are made related to hazardous substances, Swedish law is adhered to. The company cannot confirm that this is sufficient to be aligned with the requirements in the EU-taxonomy. • The company informs that the soil is always examined for polluting substances in all new production, and if the soil is contaminated, it is the client's responsibility to decontaminate the soil. • According to the issuer, as a measure to reduce the climate and environmental impacts at the construction sites, they have developed the tool Climate-Smart Construction Sites. Through the tool the issuer has established a minimum level for all construction projects with targets related to the areas with the highest emissions, like the use of electricity, temporary construction heat, fuels used in heavy machinery, material transport and waste. Measures are taken in all projects to minimise noise, dust and pollution. 	<p>developments cannot be confirmed.</p>
<p>Protection and restoration of biodiversity and ecosystems</p>	<ul style="list-style-type: none"> • An Environmental Impact Assessment (EIA) or screening should be completed in accordance with national provisions²⁸. 	<ul style="list-style-type: none"> • According to Wästbygg, general planning is the responsibility of the municipality and EIAs will be carried out on municipality level. Land that is covered by area protection according to the 	<p>Likely aligned with EIA-requirement.</p>

²⁶ Emit less than 0,06 mg of formaldehyde per m³ of material or component and less than 0,001 mg of categories 1A and 1B carcinogenic volatile organic compounds per m³ of material or component, upon testing in accordance with CEN/TS 16516522 and ISO 16000-3 523 or other comparable standardised test conditions and determination method.

²⁷ Standard ISO 18400 can be used.

²⁸ The Taxonomy is referring to Appendix D in the Taxonomy Annex 1.



	<ul style="list-style-type: none"> • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented. • The new construction should not be built on one of the following: <ol style="list-style-type: none"> a) arable land and crop land; b) greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List or the IUCN Red List. c) land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest²⁹. 	<p>Planning and Building Act is Natura 2000, nature reserves and animal and plant protection areas, and construction is not permitted. This is stated in the general and detailed plan for each municipality.</p> <ul style="list-style-type: none"> • Before construction on new land is permitted, Wästbygg needs to prepare a detailed plan and receive a building permit. Wästbygg builds according to regulations in the detailed plan in all projects. • Wästbygg cannot confirm that none of their properties are constructed on arable land or land matching the national definition of forest. However, the company informs that this will be considered for future developments. 	<p>Alignment towards construction on arable or forested land for existing properties cannot be confirmed.</p>
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²⁹ Land spanning more than 0,5 hectares with trees higher than five meters and a canopy cover of more than 10 %, or trees able to reach those thresholds in situ. It does not include land that is predominantly under agricultural or urban land use, FAO Global Resources Assessment 2020. Terms and definitions: <http://www.fao.org/3/I8661EN/i8661en.pdf>.