Annehem Fastigheter AB
Shades of Green Assessment Update 2023

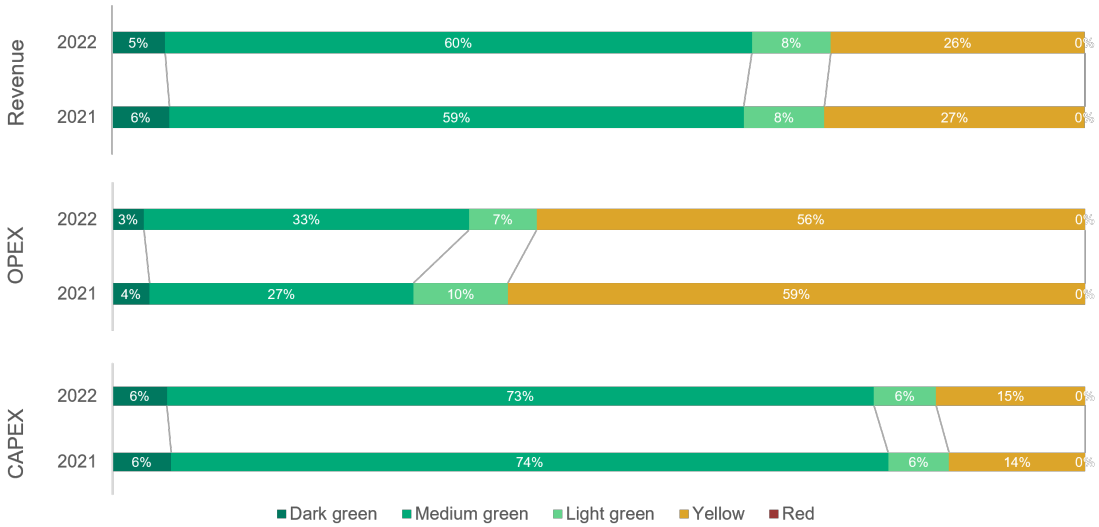
20 February, 2023

Sector: Real Estate

Region: Sweden

EXECUTIVE SUMMARY

Annehem Fastigheter AB (Annehem) owns and manages commercial properties in the Swedish regions of Stockholm, Gothenburg and Skåne, and the Nordic cities Helsinki and Oslo. Annehem was quoted on Nasdaq Stockholm Exchange, in December 2020. In 2022 income from property management amounted to SEK 263 million. The fair value of properties amounted to SEK 4,309 million and investments in existing properties amounted to SEK 33 million.



We note that there were no new properties in Annehem's portfolio in 2022, expect for one building entering the portfolio, and therefore the share of green assets is mostly unchanged. The total share of properties shaded green was 74% of revenues, 44% of opex and 85% of capex in 2022 compared to 73%, 41% and 86%, respectively, in 2021. The shading is based on the methodology applied by CICERO Shades of Green in 2021 for the initial assessment to allow for a comparison of Annehem's portfolio over time. The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. From a climate perspective, it is better to maintain existing buildings rather than build new ones. However, in a 2050 perspective, the average energy intensity of Annehem's portfolio needs to improve over time. Buildings that are energy efficient compared to similar building stock or have other environmental benefits, as demonstrated by a high level of green building certification, are assessed as green.

The Shade of Green assigned to Annehem's properties reflects energy use and level of environmental certification. Dark Green is assigned to one property with low energy use, an energy performance certificate of A (EPC A) and a high level of green building certification. Medium Green is assigned to properties with high levels of environmental certification or with an energy use 20% below current building regulations or EPC B. Light Green is allocated to properties with a high level of certification and existing older buildings with energy use within the top 15% of similar stock as applied in the 2021 assessment. A Yellow shade is assigned to one energy inefficient building with fossil fuel heating and parts of two business parks consisting of multiple buildings. The yellow shading is due to lack of

Nasdaq Green Designation[1]

CICERO Green assesses that Annehem meets the requirements for Nasdaq Green Equity Designation 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

data for these properties, but also one of the parks (Ljungbyhed) contains an old airport used for educational services.

For new investments, Annehem has changed its screening process for what is required before acquiring an asset. Annehem previously required properties to be certified with at least the level Miljobyggnad Silver and have an energy performance classification of B or better. Annehem informs us that it has moved away from this approach, and that it now rather considers a building's potential to improve sustainability and energy performance over time, while having a preference for environmental certificates. This because it believes it has the procedures in place to improve the energy performance of existing assets. The idea is that after properties have gone through its maintenance regime, they will meet the measurable targets for the portfolio, such as having 90% of the portfolio taxonomy aligned.

Annehem is exposed to physical risks associated with climate change and more frequent extreme weather. For the Swedish building sector, the most severe physical impacts will likely be increased flooding, heavier snow loads and urban overflow, as well as increased storms and extreme weather. In 2022, Annehem performed an in-depth climate risk and vulnerability analysis with a 2100-year perspective, including scenarios RCP 2.6 and RCP 8.5. The analysis was performed for 82% of the portfolio value.

Annhem maintains a Good governance score and the company has followed up on ambitions and plans made in 2021. Since our previous assessment update, Annehem has taken steps to improve its environmental governance. It has updated its goals to include a net zero target for scope 1 and 2 for 2030, strengthened its scope 3 reporting, has started to work with its suppliers on sustainability issues and has performed an in-depth climate risk analysis of a substantial part of its portfolio. As Annehem is still a young company, we expect its governance of environmental issues to improve over coming years, especially by introducing scope 3 reduction targets and by strengthening its work with its value chain and partners.

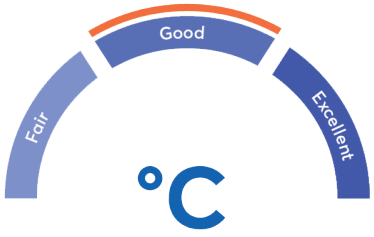


Figure 1 CICERO Green assesses Annehem's governance structure and practice to be Good.

The most relevant EU Taxonomy criteria are Acquisition and ownership of buildings. The Property Owner's Association (Fastighetägarna) has published a report[3] which in our view provides adequate evidence for criteria for a building belonging to the top 15% of similar stock energy wise in Sweden. In addition, we find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB). Based on this we find, with 2021 numbers in parenthesis, that 38% (73%) of revenue, 21% of operating costs and 50% (86%) of investments in 2022 were likely aligned with the technical criteria for climate mitigation. The share of alignment has fallen due to an updated report defining the top 15% of similar stock energy wise, and also because one cannot conclude on alignment for properties located in Finland and Norway as the countries are yet to define the top 15% of the buildings stock. The share of alignment will likely go up when the top 15% is defined for all countries. Annehem appears to be aligned with the do-no-significant-harm (DNSH) criteria on climate adaptation as it has performed a full climate risk assessment in 2022. CICERO Green considers that Annehem likely fulfils the minimum social safeguards of the EU Taxonomy.

Table 1: Sector specific metrics

Table 2: Sector Specific Metrics for Annehem Fastigheter				
	Energy use[4] (kWh/m^2 Atemp)	Environmentally certified (% of area)	Emission intensity scope 1 + 2 (kgCO_2e/m^2)	Heated directly by fossil fuels (% of area)
2022	79	30	2.5	0.4
2021	85	30	3.2	0.5
2020	89	28	3.4	0.5

[3] https://via.tt.se/data/attachments/00014/d6fe5697-2ed2-4d35-ae12-3b8f86c098bd.pdf
4 Note that energy and emission data is partly based on uncertain estimates.

Contents

1 Annehem's key developments 2022

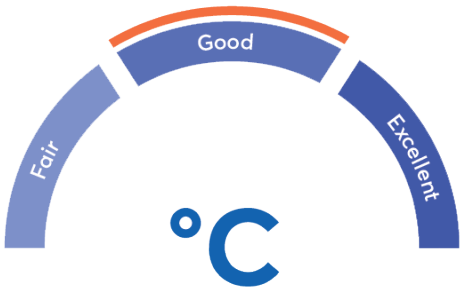
Company update

Annehem Fastigheter AB (Annehem) owns and manages commercial properties in the Swedish growth regions of Stockholm, Gothenburg and Skåne, and the Nordic cities Helsinki and Oslo. The properties are largely modern, which allow for flexible use and good accessibility to public transport, but also includes two business parks established on old airports. This latter type of property contains a wide variety of buildings, like educational and research premises, offices, storages and other types of buildings.

Annehem was quoted on Nasdaq Stockholm Exchange, in December 2020. In 2022 income from property management amounted to SEK 263 million. The fair value of properties amounted to SEK 4,309 million and investments in existing properties amounted to SEK 33 million.

Governance Update

The overall assessment of Annehem's environmental governance gives it a rating of **Good**. Since our previous assessment update, Annehem has taken steps to improve its environmental governance. It has updated its goals to include a net zero target for scope 1 and 2 for 2030, strengthened its scope 3 reporting, started to engage suppliers on sustainability issues and has performed an in-depth climate risk analysis of a substantial part of its portfolio. As Annehem is still a young company, we expect its governance of environmental issues to improve over coming years, especially by introducing scope 3 reduction targets and to continue to strengthen its work with its value chain.



Led by a new CEO, Annehem has spent time with stakeholders to carve out a new more targeted sustainability strategy. It has implemented a code of conduct and performed employee training sessions. In 2021, Annehem assessed its strategic suppliers. Moving forward, it plans to include more suppliers and contractors in this process. Annehem strengthened its scope 3 emission reporting in 2022 and informed us that it will set a reduction target by 2023. Be aware that scope 3 emissions generally are challenging to capture because of a lack of data and standardized reporting methodologies. Therefore, while it is encouraging that Annehem has included more categories in its scope 3 emission reporting, 100% of its emissions might still not be covered in reporting. There is no specific plan on how to reduce scope 3 emissions, however, Annehem informed us that when making decisions on procurement, the global warming potential is one evaluation criteria.

While the pathway to net zero scope 1 and 2 is not fully defined, it has identified key activities to achieve its targets. For scope 1 emissions, identified reduction measures are: i) to replace fossil diesel with HVO100[5] for heavy machinery, ii) decommission the gas boiler in one of its assets, and iii) to reduce emissions emitted from refrigerants, it considers to replace technical systems when they reach end-of-life with systems using other

[5] HVO100 is a fuel produced from waste, residue oils and fats, such as used cooking oil. Compared to fossil diesel, the use of HVO100 can reduce greenhouse gas emissions significantly.

refrigerants, such as CO_2 or propane, that has a lower global warming potential than traditional refrigerants. For scope 2, it informs us that it is dependent on the district heating companies to reduce their emissions. Other measures are to continue to buy green electricity, as well as investing in solar and geothermal. Annehem has changed its emission reporting to align with the recommendations made by Fastighetsägarna. Therefore, its net zero target will not include emissions from tenant electricity use. Annehem informs us that the proportion tenant electricity makes up varies for all assets, however, landlord energy use would make up at least three percent always. We welcome Annehem's ambition to set a target to reduce its scope 3 emissions, especially so it will include tenant electricity. Annehem encourages green leases with its tenants, as this helps to measure tenants' electricity use, which in turn facilitates reporting and better assessment of properties energy performance.

Annehem performed an in-depth climate risk and vulnerability analysis in 2022, with a 2100-year perspective including scenarios RCP 2.6 and RCP 8.5[6]. The analysis was performed for 82% of the portfolio value. Based on the analysis, an adaptation plan with structural challenges including property-specific areas to focus on has been developed. Identified measures will be included in maintenance plans for properties. When acquiring new assets, Annehem will require or conduct a climate risk and vulnerability analysis. Going forward, Annehem is looking to align its reporting with Task Force on Climate-related Financial Disclosures (TCFD) in 2024.

For new investments, Annehem previously required properties to be certified with at least the level Miljobyggnad Silver and have an energy performance classification of B or better. Annehem informs us that it has moved away from this approach, and that it now require that properties must contribute in a positive manner to the level of green properties in the portfolio, at least over time. As investment criteria, Annehem prefers environmental certificates, but the potential to improve sustainability and energy performance over time is more important. This because it believes it has the procedures in place to improve the energy performance of existing assets. The idea is that after properties have gone through its maintenance regime, they will meet the measurable targets for the portfolio, such as having 90% of the portfolio taxonomy aligned.

Working with consultants that can track species, Annehem will measure and track the number of species in its parks, where the overall target is to increase the number. For other properties, it is looking to introduce new plant species to increase the level of natural growing flowers to support ecosystem services.

[6] RCP 2.6 and RCP 8.5 are two potential climate scenarios described by the Intergovernmental Panel on Climate Change (IPCC) where RCP 4.5 is described as a stringent scenario and RCP 8.5 is the highest baseline emissions scenario.

Key performance indicators

Table 2: Quantitative targets and progress

	2021	2022	Target
Share of portfolio value environmentally certified in 2024	85%	77%	90%
Energy intensity to be reduced by 9% from 2021 to 2024 (Baseline of 85kWh/m2)	NA	7%	9%
Percentage green contracts	24%	27%	80%
Water use intensity	NA	214 l/m2	-3% yearly

Annehem quantitative targets and progress are summarized in table 2. Annehem is on track to achieve its target to reduce 9% energy intensity of its properties by 2024 and has also been able to increase the percentage of green contracts. The water intensity increased in 2022, which was caused by the establishment of a new gym/spa-facility in one of its parks, leading to increased water use.

Table 3: Energy mix for Annehem

Energy Source	2021	2022	Comment
Facility electricity	17%	14.7%	
Operations electricity		2.6%	
District heating	82%	80.7%	
District cooling	0.5%	1,8%	
Fossil fuels	0.5%	0.2%	Gas boiler

Annehem has changed its energy mix reporting to align with the recommendations made by Fastighetsägarna. Therefore, table 3 has updated reporting that differs from last year's company assessment update.

Table 4: The table summarises Annehem's CO2-emissions and main CO2-emission reduction targets				
Emissions	**Total (tons CO_2eq[7])**	**Scope 1**	**Scope 2**	**Scope 3**
Main Targets		Net-zero by 2030 (Includes scope 1 and 2) (Base-year 2021)		Target to be set in 2023.
2022	2862	34	492	2335
2021	760,6	57,8	625	607,1
Change 2021-2022	NA	-41%	-21%	NA
Main sources	Scope 3 is the largest share of total emissions. New reporting principles according to new Swedish guidelines for real estate owners[8].	Direct emissions (Company vehicles, refrigerant and basement boilers)	In 2021, it included purchased energy. In 2022 Annehem introduced a new method for measuring emissions.	In 2021, Scope 3 included tenant energy use and business travel. In 2022, scope 3 included: i) purchased goods and services, ii) capital goods, iii) business travel, iv) downstream leased assets (tenant electricity), v) fuel and energy related activities not included in scope 1 and 2.

Annehem has changed its emission reporting to align with the recommendations made by Fastighetsägarna. Therefore, table 4 has updated emission reporting that differs from last year's company assessment update.

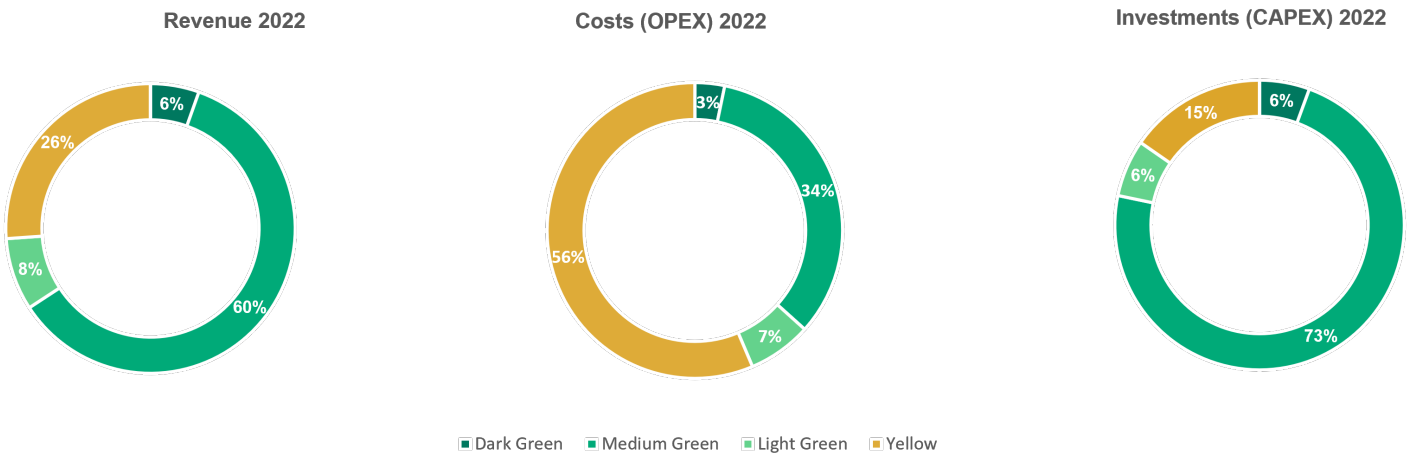
In 2021, Annehem reported emissions from purchased energy, including landlord and tenant use, and only part of district heating. The reporting covers 100% of the portfolio. For the updated methodology used in the reporting for 2022, scope 2 includes landlord energy use, and all district heating and cooling. Regarding scope 1 and 2 values for 2021 were recalculated so that one can compare 2022 and 2021 data. Annehem explains that it has minimal scope 1 emissions, therefore emissions will fluctuate yearly without it reflecting its environmental work. Refrigerants from technical systems are included in scope 1 emissions. These systems leak, where one must refill refrigerants to make up for the leakages every so often. It is the years one refill the refrigerants emissions from leakages are accounted for in reporting. The 41% decrease is therefore caused by 2021 being the year Annehem had to refill refrigerants for multiple systems. Another reason for the decrease is explained by using more electric cars and biofuels for heavy trucks. For scope 2, the main reason for the 21% decrease is that district heating providers have reduced their emissions.

[7] CO_2e, carbon dioxide equivalent is a measurement term for greenhouse gas accounting.
[8] https://www.fastighetsagarna.se/globalassets/broschyrer-och-faktablad/riktlinjer/vagledning-rapportering-av-utslapp-i-scope-3-for-fastighetsagare.pdf?bustCache=1675283560017

Tenant energy use is included in scope 3. For 2022, Annehem has also asked tenants for their energy consumption to include in reporting. The key factor to the increase in scope 3 emissions in 2022 is that Annehem introduced more comprehensive scope 3 emission reporting. Therefore, one cannot compare 2021 and 2022 scope 3 emission data, nor total emissions.

2 Assessment of Annehem's revenues and investments

Shading of Annehem's revenue, operating expenses and investments



The Shade of Green assigned to a property reflects its overall climate risk and environmental impact. We have assessed and allocated a shade of green to each property in the portfolio. The shading is based on the same methodology CICERO Shades of Green used in 2021 to enable a comparison of Annehem's portfolio over time. In assigning a shade of green to Annehem's revenue and production cost streams, we have used data on the relevant properties energy use (measured against the applicable building regulation) and the building's environmental certification level, taking into account building materials, resilience, transportation solutions and other environmental considerations, to assign a shading.

Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. These projects should be Paris aligned or have zero emissions around mid-century. This shade has been assigned to one exceptionally energy efficient property with a specific energy use below 50% of the Swedish building code BBR29 and a good environmental certification.

Medium Green is allocated to projects and solutions that represent steps towards the long-term vision but are not quite there yet. This shade is assigned to highly energy efficient properties with an energy use 20% below current regulations or very good environmental certifications, e.g., LEED Platinum.

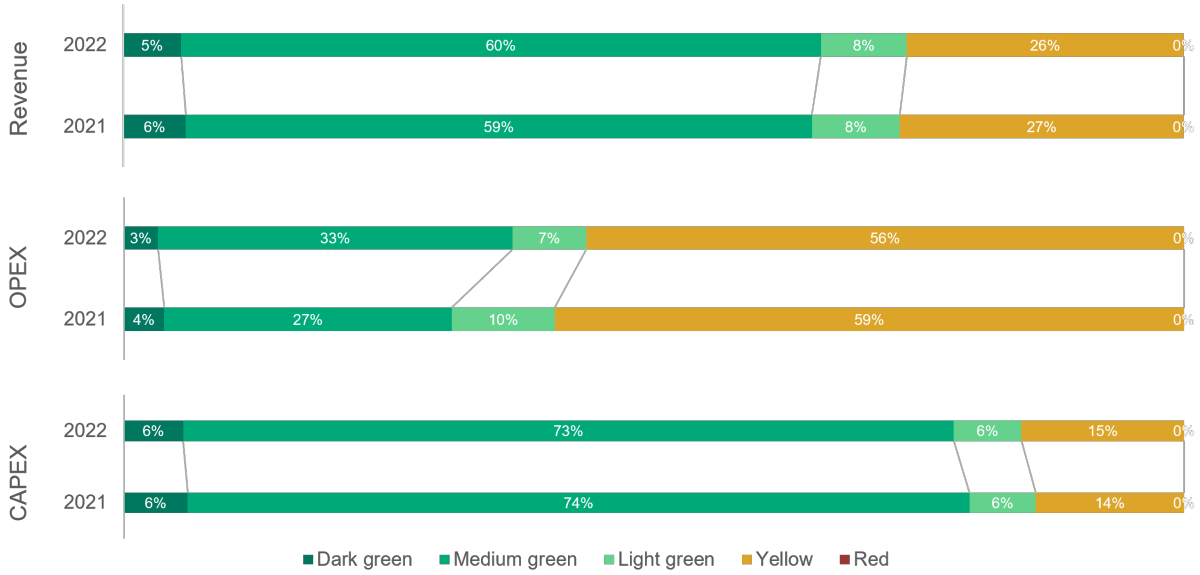
Light Green is allocated to transition activities. This shade is allocated to properties with a high level of certification and for existing older buildings assessed as being within the top 15% most energy efficient of similar stock, on the basis of the approach used in the 2021 company assessment. This allows for a comparison of Annehem's portfolio over time. In December 2022, a new report defining the top 15% using updated data was published. This updated report has been used when assessing taxonomy alignment.

For properties not fulfilling any of the above criteria, a shade of Yellow or Red is allocated based on actual energy use and year of construction or last major renovation. The Yellow category is assets where data is lacking or classified as land with too little information on the current or intended usage of the plots. A Yellow shade is

assigned to one energy inefficient building with fossil fuel heating and parts of two business parks consisting of multiple buildings. With these provisions, we find that for 2022 6% of rental revenue came from assets considered Dark Green, 60% from assets shaded Medium Green, 8% from assets shaded Light Green, and 26% from non-green assets shaded Yellow. Overall, 74% of the rental revenue came from assets with some Shade of Green.

Investments was in 2022 6% Dark Green, 74% Medium Green, 6% Light Green, and 15% was assigned a Yellow shade. This suggests that 85% of the investment will have some Shade of Green.

When it comes to operating costs in 2022, these were distributed with 3% shaded Dark Green, 34% Medium Green, 7% Light Green, and 56% Yellow[9]. Overall, we find that 44% of operating costs were associated with assets with some Shade of Green.



We note that there were no new properties in Annehem's portfolio in 2022 and therefore there are only minor changes in the share of green. The total share of properties shaded green in 2022 was 74% of revenues, 44% of opex and 85% of capex in 2022 compared to 73%, 41% and 86%, respectively, in 2021.

The shading in this update is based on the same methodology CICERO Shades of Green used in 2021 to allow for a comparison of Annehem's portfolio performance over time. Investors should be aware that our methodology is dynamic, as technology, regulations, and sector norms continuously evolve. If Annhem decides to complete a new full company assessment as required at the end of three years, we will use an updated methodology incorporating the latest sector information at that time.

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 data[10]. 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 energy use and emissions, which may make direct comparisons between companies or regulatory criteria difficult and somewhat uncertain.

[9] Some of the "Yellow" operating costs here is costs associated with the head quarter of Annehem. These were rendered Yellow since the average operating cost of the building portfolio is of this shading.
[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

Nasdaq Green Designation

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

In 2022, 74% of Annehem's turnover came from assets with some Shade of Green, exceeding the 50% threshold for green activities for company turnover. The sum of OPEX and CAPEX allocated a Shade of Green is 84%. This exceeds the 50% threshold for investments, defined as the sum of CAPEX and OPEX. In 2022, Annehem 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 categories relevant to Annehem, which include:

- Acquisition and ownership of buildings

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.

CICERO Green considers that Annehem currently fulfill the minimum social safeguards of the EU Taxonomy. The company assesses key social risks and reports that it is currently exposed to low risks related to sub-contractors.

Table 5: Overall EU Taxonomy alignment (Substantial contribution to mitigation + DNSH + minimum safeguards)	Revenue	OPEX	CAPEX
Total share eligible (activities covered by criteria)	100%	99.8%	100%
Total share likely aligned	38%	21%	50%

Overall, we find likely shares of portfolio alignment with the EU Taxonomy as follows:

Table 6: Economic Activity: Acquisitions and ownership of buildings (NACE Code L68)		
Technical Criteria	**Full assessment from 2022**	**Updated comments on alignment**
Mitigation Criteria	✓ A report from Fastighetsägarna[11] was used to assess alignment. 73% of revenue, 41% of operational expenses and 86% of investments were assessed to be likely aligned to the taxonomy criteria in 2022. ✓ All properties were assessed to be likely aligned with the energy management criteria	✓ The eligible share of revenue, OPEX and CAPEX in 2021 was 93%, 94% and 90% respectively ✓ Fastighetsägarna[12] has published an updated report defining the top 15 percent of the national building stock in Sweden. With the updated report, 38% of revenue, 21% of operational expenses and 50% of investments are assessed to be likely aligned to the taxonomy criteria. ✓ Two of the properties are built after 31 December 2020, where the properties must meet the substantial mitigating criteria set by the activity 7.1 new construction. We find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB). ✓ For properties located in Norway and Finland, there is not enough information to include on alignment as

[11] Topp 15 (fastighetsagarna.se)
[12] Topp 15 och 30% (fastighetsagarna.se)

		the top 15% of the building stock has not been defined. In Norway, the government has just defined a working group that will define the top 15%. We have found no information that defines the top 15% of the buildings stock in Finland energy wise. ✓ However, as Annehem's properties in Norway and Finland have an EPC label of B it is expected they will be within the top 15% when threshold values are defined. But for now, there is not enough information to conclude on alignment. ✓ All properties are assessed to be likely aligned with the energy management criteria
DNSH-criteria	**Full assessment from 2021**	**Updated comments on alignment**
Climate Change Adaptation	✓ **Likely not aligned**	✓ **Likely aligned**

3 Terms and methodology

This analysis aims to be a practical tool for investors, lenders, and public authorities for understanding climate risk. CICERO Shades of 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.

Shading	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 power plants
Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	Energy efficient buildings
Light Green is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	Hybrid road vehicles
Yellow is allocated to projects and solutions that do not explicitly contribute to the transition to a low carbon and climate resilient future. This category also includes activities with too little information to assess.	Healthcare services
Red is allocated to projects and solutions that have no role to play in a low-carbon and climate resilient future. These are the heaviest emitting assets, with the most potential for lock in of emissions and highest risk of stranded assets.	New oil exploration

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,

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 regulation[13] 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 2020[14].

CICERO Shades of 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 2021[15].

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 Shades of Green has completed a light touch assessment of the above social safeguards with a focus on human rights and labor rights risks[16]. 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.

[13] EU-Taxonomy regulation (2020/852), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN
[14] taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)
[15] Microsoft Word - Company assessment Annehem 10Dec2021.docx (cicero.oslo.no)
[16] CICERO Shades of Green is in the process of further developing its assessment method to ensure that it encompasses the object and purpose of the minimum safeguards.

About CICERO Shades of Green

CICERO Shades of Green, now a part of S&P Global, provides independent, research-based second party opinions (SPOs) of green financing frameworks as well as climate risk and impact reporting reviews of companies. At the heart of all our SPOs is the multi-award-winning Shades of Green methodology, which assigns shadings to investments and activities to reflect the extent to which they contribute to the transition to a low carbon and climate resilient future.

CICERO Shades of Green Company Assessments indicate the greenness of a company by providing a shading of revenues, operating costs and capital expenditures, as well as an assessment the company's governance structure. CICERO Shades of Green also provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green, sustainability and sustainability-linked bond investments. CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Shades of Green is independent of the company being assessed, 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 Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of assessments.

Environmental Finance Bond Awards 2022 Winner
External assessment provider of the year

- **2021** Largest External Reviewer, Climate Bonds Initiative Awards
- **2020** External Assessment Provider Of The Year, Environmental Finance Green Bond Awards
- **2020** Largest External Review Provider In Number Of Deals, Climate Bonds Initiative Awards
- **2019** External Assessment Provider Of The Year, Environmental Finance Green Bond Awards
- **2019** Largest Green Bond SPO Provider, Climate Bonds Initiative Awards
- **2018** External Assessment Provider Of The Year, Environmental Finance Green Bond Awards
- **2018** Largest External Reviewer, Climate Bonds Initiative Awards
- **2017** Best External Assessment Provider, Environmental Finance Green Bond Awards
- **2016** Most Second Opinions, Climate Bonds Initiative Awards

Appendix 1: Referenced documents list

Document Number	Document Name	Description
1	Company assessment Annehem 10Dec2021	Original Company Assessment from 2021
2	Company Assessment Annehem 2022	Updated Company Assessment from 2022

Appendix 2: EU Taxonomy criteria and alignment

Complete details of the EU taxonomy criteria are given in taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

Acquisition and ownership of buildings (7.7)

Framework activity	**Green buildings**		
Taxonomy activity	**7.7 Acquisition and ownership of buildings (NACE Code L68)**		
	EU Technical mitigation criteria	**Comments on alignment**	**Alignment**
Mitigation criteria	• Substantial contribution to climate change mitigation **Acquisition and ownership of buildings, eligible if:** • For buildings built before 31 December 2020, the building has at least Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings. • Where the building is a large non-residential building it is efficiently operated through energy performance monitoring and assessment. For buildings built after 31 December 2020, buildings are eligible if: • 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).	**Relevant contextual information** ✓ Fastighetsägarna[17] has published an updated report defining the top 15 percent of the national building stock in Sweden. ✓ Two of the properties are built after 31 December 2020, where the properties must meet the substantial mitigating criteria set by the activity 7.1 new construction. We find it reasonable to use the current building code (BBR29) as a proxy for Near Zero Energy Buildings (NZEB). ✓ For properties located in Norway and Finland, there is not enough information to include on alignment as the top 15% of the building stock has not been defined. In Norway, the government has just defined a working group that will define the top 15%. We have found no information that defines the top 15% of the buildings stock in Finland energy wise.	The eligible share of revenue, OPEX and CAPEX in 2021 was 100%, 99.8% and 100% respectively 38% of revenue, 21% of operational expenses and 50% of investments are assessed to be likely aligned

[17] Topp 15 och 30% (fastighetsagarna.se)

		✓ However, as Annehem's properties in Norway and Finland have an EPC label of B it is expected they will be within the top 15% when threshold values are defined. But for now, there is not enough information to conclude on alignment. ✓ All properties are assessed to be likely aligned with the energy management criteria	
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	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 steps[18]: **(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. 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 reports, scientific peer-reviewed publications, and open source or paying models. 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.	**<u>Information provided by the issuer</u>** • Annehem performed an in-depth climate risk and vulnerability analysis in 2022, with a 2100 year perspective including scenarios RCP 2.6 and RCP 8.5. The analysis was performed for 82% of the portfolio value. Based on the analysis, an adaption plan with structural challenges including property-specific areas to focus on has been developed. Identified measures will be included in maintenance plans for properties. • The in-depth analysis has been done for all properties aligned to the substantial contribution criteria	**Likely aligned**

[18] The Taxonomy is referring to Appendix A in the Taxonomy Annex 1.

	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. 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.		