



Fastighets AB Balder Green Financing Second Opinion

29th June 2023

Executive Summary

Fastighets AB Balder (henceforth “Balder”) is a Swedish property company established in 2005 and listed on Nasdaq Stockholm, Large Cap. Balder acquires, develops and manages residential and commercial properties in larger cities and cities with growth potential in Sweden, Denmark, Finland, Norway, Germany and Great Britain. The property portfolio consists of 51% residential properties, 16% offices, 9% retail, 6% industrial/logistics and 11% other properties. Investments are being made with an emphasis on Stockholm, Gothenburg, Helsinki, and Copenhagen. Balder’s real estate portfolio had a value of SEK 217.4 billion as of 31 December 2022.

Balder’s current framework is an update from a 2019 framework, and is focused on green buildings – new construction, refurbishment and acquisitions. The eligibility criteria have been updated to harmonise with the climate mitigation criteria in the EU Taxonomy. The previous framework had energy efficiency and renewable energy as eligible categories. They are no longer included. Balder states that they currently do not have plans for significant investments in Germany and Great Britain, removing a concern for financing of fossil fuel heated buildings in these countries.

We rate the framework **CICERO Medium Green** and give it a governance score of **Good**. The combination of energy and certification criteria is useful for greening the real estate sector. The criteria for new buildings, that their primary energy demand is or will be at least 20% lower than the threshold set for near zero-energy buildings (NZEB), and that they have, or will receive, useful environmental certifications, is a reasonable step towards low carbon and energy efficient new buildings. We note, however, that the criteria are not among the strictest. Balder has quantified emission targets for 2030 and 2045 and is seeking assurance from Science Based Target Initiative that these targets are aligned with the Paris agreement. Balder reports on climate risks according to the TCFD guidelines.

Strengths

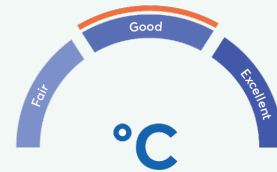
Balder has demonstrated commitments to reviewing and revising sustainability policies, objectives, and goals. Lately, Balder has updated its climate goals and signed the Science Based Targets Initiative in order to have the goals approved by the initiative. Thus, Balder shall halve emissions in its own operations by 2030, with 2022 as the base year, as well as measure and reduce emissions in the value chain (Scope 3 including embodied emissions). The company has also set a goal to achieve net zero emissions throughout the value chain (Scope 1, 2 and 3) by 2045. The emphasis on energy efficiency in new and existing buildings is a strength of the framework.

SHADES OF GREEN



*CICERO
Medium Green

GOVERNANCE ASSESSMENT



GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found to be aligned with the principles.



Pitfalls

While Balder's framework mainly goes beyond applicable building regulations, the one exception is the criterion for existing buildings to be in the top 15% of the building stock and to have some kind of environmental certification. The ambition level of this framework criteria we consider to be a Light Green element in the framework. The top 15% of similar building stock do not guarantee that buildings have energy performance that is in line or better than current regulations.

The certification can be a design phase, post-construction or in-use certification. Environmental certifications have the potential for reducing the carbon intensity of the real estate sector. Nevertheless, it is important to mention that they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, related transport emissions, and consideration of climate resilience. In particular, "in-use" certifications, which only applies to existing buildings, offer fewer environmental considerations than certifications for new developments. While certification schemes like BREEAM In-Use secure some environmental qualities, the point-based system does not guarantee a low carbon building and has no requirements on energy efficiency other than that energy use shall be monitored. Therefore, there is a risk that full reliance on such standards does not guarantee highly energy efficient buildings.

Embodied emissions constitutes a large part of a buildings life cycle emissions. While this is taken into considerations in some of the certification schemes, others do not. Since Balder has not developed an own policy on embodied emissions in their construction projects, this part of the life cycle emissions represents a potential pitfall in the framework.

Be aware of lock-in effects, especially when it comes to investments in Germany and the Great Britain where buildings today may be primarily heated by fossil fuels. In the Nordic countries the issuer has confirmed that all direct fossil fuel heating will be replaced by district heating. The issuer also states that the majority of the proceeds will be used in Sweden and Denmark, and currently there are no plans for significant investments in Germany and Great Britain.



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1 Balder's environmental management and green financing framework

Company description

Fastighets AB Balder (henceforth "Balder") is a Swedish property company, headquartered in Gothenburg with almost 1200 employees. Balder's real estate portfolio had a value of SEK 217.4 billion as of 31 December 2022. The company was established in 2005 and is listed on Nasdaq Stockholm, Large Cap.

Balder acquires, develops and manages residential and commercial properties in larger cities and cities with growth potential in Sweden, Denmark, Finland, Norway, Germany and Great Britain. The largest component (as measured by carrying amount (December 31, 2022 figures) of its real estate portfolio is in Helsinki (25%), followed by Gothenburg (20%), Stockholm (18%), and Copenhagen (11%). The property portfolio consists of 51% residential properties, 16% offices, 9% retail, 6% industrial/logistics and 11% other properties. Investments are being made in particular in areas where the company is already active, with an emphasis on Stockholm, Gothenburg, Helsinki and Copenhagen. They do not plan to make significant investments in Germany or Great Britain.

For Balder, it is important to control the whole value chain from land acquisition to the long-term management of completed projects. In 2022, Balder completed around 1,800 residential housings, 1,650 of which for own management and 150 for divestment. At the turn of the year, around 5,200 residential apartments were under construction in Sweden, Denmark, Finland and Norway.

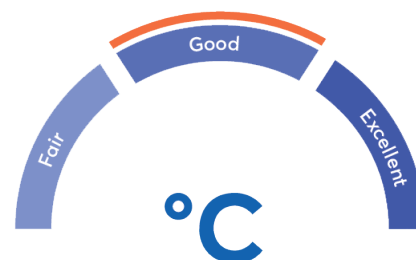
The current framework is an update from a framework dated 10 May 2019. The total value of green financing under the previous framework was 5,100 million SEK with approximately 60% for new constructions and 40% for renovation of existing buildings. Most of the proceeds was spent in Sweden and Denmark.

Governance assessment

Sustainability is integrated in Balder's day-to-day operations and is governed by the general sustainability policy and the Code of Conduct. The sustainability policy includes the company's environmental policy.

Climate targets are specific and generally aligned with the Paris agreement. The selection process is good and includes life cycle considerations. The planned reporting under the framework is comprehensive and covers certifications, energy use and carbon footprint at a portfolio level. Independent experts are helping Balder in its reporting of greenhouse gas emissions, both overall (scope 1, 2 and 3, including embodied emissions) and from green assets.

To evaluate risks and opportunities linked to climate change, Balder has officially adopted a position to support and follow the recommendations issued by the Task Force on Climate-Related Financial Disclosures (TCFD)¹ and reported accordingly in the 2022 Annual report. The overall assessment of Balder's governance structure and processes gives it a rating of **Good**.



¹ <https://www.fsb-tcfd.org>



Sector risk exposure

Physical climate risks. For the Nordic building sector, the most severe physical impacts will likely be increased flooding, snow loads, and urban overflow, as well as increased storms and extreme weather. Developing projects with climate resilience in mind is critical for this sector. The real estate sector is also exposed to climate risks through links to the construction industry and the utilities sector.

Transition risks. Balder is exposed to transition risks from stricter climate policies e.g., mandatory efficiency upgrades. The company is also exposed to liability risks due to e.g., legal challenges if preventable damages from climate change increase. In addition, the real estate sector is exposed to changing consumer preferences for more climate-smart and energy-efficient buildings.

Environmental risks. The construction sector is at risk of polluting the local environment during the erection of the properties, e.g., from poor waste handling. There are also risks related to impacts on local biodiversity/habitats as well as the use of un-sustainably sourced material like tropical wood.

Environmental strategies and policies

Sustainability is integrated in Balder's day-to-day operations and is governed by the general sustainability policy and the Code of Conduct. The Code of Conduct and related policies are based on international guidelines such as the UN Global Compact's principles for human rights, labour, the environment and anti-corruption, the UN Guiding Principles on Business and Human Rights, the ILO's Core Conventions and the OECD's Guidelines for Multinational Enterprises. The sustainability policy includes the company's environmental policy. Balder's environmental goals, which applies to the entire group, are to:

- Reduce energy and water use² and choose sustainable energy sources;
- Work for environmentally friendly transport;
- Reduce environmentally harmful substances and use resource-efficient materials - reduce waste volumes and increase the sorting rate;
- All new constructions in-house must be certified according to at least Miljöbyggnad Silver or equivalent;
- Increase the proportion of environmentally certified buildings in Balder's current property portfolio³.

Lately, Balder has updated its climate goals and signed the Science Based Targets Initiative⁴ in order to have the goals approved by the initiative. Thus, Balder shall halve emissions in its own operations by 2030, with 2022 as the base year, as well as measure and reduce emissions in the value chain (Scope 3). The company has also set a goal to achieve net zero emissions throughout the value chain (Scope 1, 2 and 3) by 2045.

Balder reported emissions from all its consolidated subsidiaries in Sweden, Denmark, Norway, Finland, Germany and the UK for the first time in 2022. Scope 1 emissions then represented 1.5 tCO₂e mainly from heating, Scope 2

² More specifically, Balder's goals are to achieve energy efficiency improvement of 2% per m² per annum, reduced water use of 2% per m² per annum. In 2022, Balder achieved a 3% energy efficiency improvement, while measured water use increased by 18.3%. The increase in water use is, according to Balder, partly due to access to more meters and more accurate data in the company's system.

³ The current proportion of certified buildings are under 1%.

⁴ <https://sciencebasedtargets.org>



was 69.9 tCO_{2e} equally from electricity and heat, while Scope 3 emissions was 188 tCO_{2e} where new construction (including embodied emissions⁵) and tenant's energy used were major contributors. Scope 1+2 emissions intensity was 12.3 kgCO_{2e}/m², while Scope 3 intensity was 32.2 kgCO_{2e}/m² for a total emission intensity of 44.4 kgCO_{2e}/m².

The company's ambition is to choose renewable sources of energy whenever possible as well as non-hazardous building materials using schemes such as Swedish Building Materials Assessment or SundaHus, and certifications such as FSC or PEFC for wood products. It has introduced measures to minimise waste and encourage re-cycling amongst tenants. In order to minimize its carbon footprint from transport, Balder has a travel policy which supports more environmentally friendly means of transportation, and alternatives to business trips, such as video conferences and telephone meetings, are encouraged. It has installed charging stations for electric vehicles in several of its buildings.

Balder works continually to identify and reduce the risks that can impact operations. This includes risks and opportunities that may arise as a consequence of climate change. The Board deals with climate-related issues at least once a year and if something special occurs that requires action in addition to these instances. Impacts expected above all as a consequence of climate change are higher temperatures, drought, increased precipitation and downpours, rising sea levels and a greater risk of landslides, rockfalls and erosion. When analysing risks, they are divided into the short, medium and long term, which in Balder's analysis corresponds to 5, 25 and 50 years respectively. In its analysis, Balder has used climate scenarios from the Swedish Meteorological and Hydrological Institute (SMHI) based on IPCC's RCP 2.6 and RCP 8.5 scenarios and focused on areas where the majority of the company's properties are located. The analysis includes both physical risks and transitional risks and is carried out at the building level. Balder conducted 105 climate risk analyses during 2022 in Sweden, Denmark, Finland and Norway. For 54 of these, vulnerability analyses and action plans were also carried out.

Socially, Balder strives to be a positive influence in the neighbourhoods where it owns property. To do this, Balder undertakes projects to improve integration, security and community satisfaction in cooperation with other members of the community such as municipalities, schools, the police and local associations.

Green financing framework

Based on this review, this framework is found to be aligned with the 2021 Green Bond Principles and the 2023 Green Loan Principles. For details on the issuer's framework, please refer to the green financing framework dated June 2023⁶.

Use of proceeds

For a description of the framework's use of proceeds criteria, and an assessment of the categories' environmental impacts and risks, please refer to section 2.

Selection

Balder has an established process ensuring that eligible green assets are continuously included into Balder's green asset pool. Potentially eligible green assets will be suggested by project managers and other employees at Balder to the Green Bond Committee (GBC), consisting of the CFO and the Head of Sustainability. The GBC is responsible for evaluating and selecting assets eligible for green funding.

⁵ Embodied emissions that occur in material extraction, production of products, transport and construction of the properties (Construction stage A1-A5).

⁶ The Green Bond Principles are published by the International Capital Markets Association ("ICMA"). The Green Loan Principles are published by the Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA") and the Loan Syndications and Trading Association ("LSTA") respectively.



The GBC will review information about the assets and evaluate the compliance with the green terms and the overall environmental impacts, which includes life cycle considerations⁷, potential rebound effects, resilience considerations and adherence to at least one of the environmental objectives in the EU Taxonomy. The GBC also carry out a screening for potentially environmental or social controversial projects. The GBC can request additional information and consult with internal parties, but the mandate to make decisions is held by the group. A decision to allocate net proceeds will require a consensus decision by the GBC. The GBC will meet at least twice yearly, and the decisions made by the GBC will be documented. Furthermore, the GBC is also responsible for signing off on the forthcoming reporting under the framework as outlined below.

An updated record of all green assets will be kept by the GBC. If a project or asset ceases to meet the green terms, it will be removed from the list (and the funds will be recycled). The list will also be used as a tool to determine if there is a current or expected capacity for additional green financing.

Management of proceeds

An amount equal to the net proceeds of any green financing will be credited to an earmarked account (the “Green Account”) or otherwise tracked by Balder. Deductions will be made from the Green Account by an amount corresponding to the financing or refinancing of eligible green assets or at repayment of any green financing.

If an eligible green asset or project financed by green financing no longer qualifies as eligible, the asset will be replaced by other assets or projects that meet the definitions set out in the green financing framework. Funds may also be reallocated to other green assets and projects during the term of any green financing. Balder’s executive management team will keep a record of the purpose of any change in the green portfolio and ensure that the combined funds directed towards a specific asset or project, by one or several sources of green financing, does not exceed its value. If, at any time, the total amount of proceeds from green financing exceeds the total value of eligible green assets, this will be placed in line with Balder’s handling of short-term excess liquidity and comply with Balder’s sustainability policy as well as the exclusion criteria of the framework.

Reporting

Balder has published green bond impact reports associated with the previous 2019 framework. These reports have listed total amount of proceeds from each bond, NZEB properties, and environmental certifications, energy consumption and energy intensities for other properties.

Under the new 2023 framework Balder will publish an annual report on its website (www.balder.se) that will detail the allocation of funds and adherence to the green terms. The report, which will include details of allocation as well as impact, will be published so long as Balder has green financing outstanding. The reporting will contain information on the eligible green assets that have been financed with green financing, a summary of Balder’s activities in the preceding year as pertains to green financing as well as information, including examples of the eligible green asset’s adherence to the relevant criteria. The first report is expected in June/July 2024 and the reporting will be similar to the earlier reports, i.e., on a portfolio basis but specifying all separate projects. The reporting will not be linked to individual bonds/loans.

Balder will provide allocation reporting where emphasis will be placed on providing examples to single projects based on their size; the sum of outstanding green financing and the sum of the green portfolio balance, including any short-term investments or funds managed within Balder’s liquidity portfolio; and the proportion of net proceeds allocated to new investments. All data is to be as of the end of the previous year.

⁷ Analysis is made of life cycle phase A1-A4 and transport. At least 50% of the climate impact for the production of the construction products is based on product-specific EPDs. Phases A1-A4 cover product, construction process, use, and end of life.

The reporting will also include a disclosure of asset level performance indicators. The reporting will strive to disclose the impact based on the green financing share of the total investment. For financed eligible green assets that are not yet operational, Balder will strive to provide estimates of future performance levels. Balder will emphasise energy savings and greenhouse gas reductions as the most relevant performance metrics for most projects. If/when actual impact for some reason is not observable, or unreasonably difficult to source, estimated impact shall be reported. The metrics below are examples of indicators that are likely to be used by Balder in the forthcoming reporting.

- Environmental certification
- Primary Energy Demand (PED) compared to the requirement in the national implementation of NZEB
- Existing buildings that qualify according to an Energy Performance Certificate (EPC): the level of the EPC
- Existing buildings that qualify based on Primary Energy Demand (PED): confirm that the PED was within acceptable limits of the national or regional building stock (top 15%)
- Energy consumption (mostly landlord or property energy) by absolute consumption (kWh) and intensity (kWh/m²) per year
- Calculated carbon footprint disclosed by absolute emissions (tonnes) and intensity (kgCO₂/m²) per year.

Independent experts are helping Balder in its reporting of greenhouse gas emissions, both overall (scope 1, 2 and 3, including embodied emissions) and from green assets. The methodology used will be published. The external auditor of Balder, or a similar party appointed by Balder with the relevant expertise and experience, will investigate and report whether an amount equal to the net proceeds have been allocated to the eligible green assets that Balder has communicated in the reporting. The conclusions will be provided in a signed statement, which will be published on Balder's website. Impact reporting will not be independently verified.




2 Assessment of Balder’s green financing framework

The eligible projects under Balder’s green financing framework are shaded based on their environmental impacts and risks, based on the “Shades of Green” methodology.

Shading of eligible projects under Balder’s green financing framework

- An amount equal to the net proceeds from green financing will be used by Balder or its wholly-owned subsidiaries, to in whole or in part finance or refinance investment that promote the transition to low-carbon, climate resilient and sustainable economies as well as environmental and ecosystem improvements.
- The net proceeds will be used exclusively to finance or refinance investments in the markets where Balder owns, manages and develops properties.
- The majority of the net proceeds are expected to be allocated to new assets (defined as projects and assets financed within 12 months from completion). The shares under the previous framework are 60% for new constructions and 40% for existing buildings. The proportion of net proceeds allocated to new projects and assets will be disclosed in the annual reporting. Investments are being planned in particular in areas where the company is already active, with an emphasis on Stockholm, Gothenburg, Helsinki and Copenhagen. They do not plan to make significant investments in Germany or Great Britain.
- The combined allocated amount to a specific eligible green asset, by one or several sources of financing with specified use of proceeds, may not exceed its value.
- Green financing will not be used to finance investments linked to fossil energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Category	Eligible project types	Green Shading and considerations
Green buildings 	Construction of new buildings (built after 31 December 2020): <ul style="list-style-type: none"> • Primary energy demand is or will be, at least 20% lower than the threshold set for near zero-energy building (NZEB) requirements in national measures <i>and</i> • New buildings have, or will, receive environmental certification in any of the following building certification schemes at the defined threshold or better: <ul style="list-style-type: none"> ○ Miljöbyggnad “Silver” ○ LEED “Gold” ○ BREEAM “Very Good” 	Medium Green <ul style="list-style-type: none"> ✓ The combination of energy and certification criteria is useful for greening the real estate sector. The criteria for new buildings, that their primary energy demand is or will be at least 20% lower than the threshold set for near zero-energy buildings (NZEB), and that they have, or will receive, useful environmental certifications, is a reasonable step towards low carbon and energy efficient new buildings. We note, however, that the criteria are not among the strictest. ✓ The issuer informs us that physical climate risk is considered for all projects.



- Nordic Swan Ecolabel
- DGNB “Silver”

Renovation of existing buildings⁸:

- Renovation of an existing building that either leads to a reduction of Primary Energy Demand (PED) of at least 30%, or where the building meets the applicable requirements for “major renovations”⁹.

Acquisition and ownership of buildings: Existing buildings (built before 31 December 2020):

- Existing buildings have an Energy Performance Certificate (EPC) demonstrating class A or the building is within the top 15% of the national or regional building stock, expressed as Primary Energy Demand (PED)¹⁰, and
- Existing buildings have, or will receive environmental certification in any of the following building certification schemes at the defined threshold or better:
 - Miljöbyggnad “Silver”
 - LEED “Gold”
 - BREEAM “Very Good” or BREEAM in-use “Very Good”
 - DGNB “Silver”
 - Nordic Swan Ecolabel

- ✓ As long-lived assets, greening buildings are important for securing a low carbon future. However, we note that a substantial part of the life cycle footprint of a building resides with the embedded emissions in the materials used. Balder aims to halve emissions in its own operations by 2030, with 2022 as base year, and also to achieve net zero emissions throughout the value chain (Scope 1, 2 and 3¹¹) by 2045. Balder states that to achieve these goals, a roadmap will be produced during 2023 to specify which measures are required for the business to achieve its climate goals. The goals will then be submitted to the Science Based Targets Initiative for approval. They then plan to concretize their climate ambitions in construction, renovation and property development.
- ✓ The issuer informs us that it will be assets in Sweden and Denmark that will provide the largest share of the net proceeds. Most of the proceeds will be for new construction and renovation of existing buildings. Buildings with fossil fuel heating are excluded from green financing and in the Nordic countries all direct fossil fuel heating will be replaced by district heating or heat pumps.
- ✓ Balder informs us that in Sweden Miljöbyggnad Silver will be used (version 4.0 going forward), in Denmark DGNB Silver will be used and in Finland LEED Gold and BREEAM Very Good will be used.
- ✓ From a climate perspective, it is better to renovate existing buildings rather than build new ones, therefore refurbishments with a 30% reduction of energy consumption could qualify for a Medium to Dark shade.

⁸ A renovated building that fulfils the criteria for existing buildings in the framework can be classified as an eligible green asset as a whole. If the building does not fulfil the criteria for an existing building in this Framework but succeeds in a reduction of PED of at least 30% only the cost of the renovation can be financed.

⁹ According to Directive 2010/31/EU: Nordic, zone 5: Annual use of energy below i) offices 55-70 kWh/m² of net primary energy with typically, 85-100 kWh/m² of primary energy use covered by 30 kWh/m² of on-site renewable sources and ii) new single-family houses 40-65 kWh/m² of net primary energy with, typically, 65-90 kWh/m² of primary energy use covered by 25 kWh/m² of on-site renewable sources.

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

¹¹ Scope 3 will include embodied emissions in buildings, according to Balder.



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- ✓ We consider a report from Fastighetsägarna to provide adequate evidence for the energy efficiency of the top 15% of the national building stock in Sweden. Balder states that for other countries, they will use limit values for the top 15% from actors that have cross-sector acceptance. If there is no top 15% published for a country in which Balder operates, then primary energy number A is used as the limit value. While the top 15% buildings are energy efficient compared to the average building stock, they do not necessarily go beyond what is required. We consider this to be a Light Green criterion in the framework.
 - ✓ Green building certification standards cover a broad set of issues that are important to sustainable development. At the same time, they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, related transportation emissions, and consideration of resilience. In general, “in-use” certifications offer fewer environmental considerations than certifications for new developments. While certification schemes like BREEAM In-Use secure some environmental qualities, the point-based system does not guarantee a low carbon building and has no requirements on energy efficiency other than that energy use shall be monitored.
 - ✓ In the Nordic countries the issuer has confirmed that all existing direct fossil fuel heating will be replaced by district heating or heat pumps for existing buildings to be eligible.
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Table 1. Eligible project categories







3 Terms and methodology

This note provides CICERO Shades of Green’s second opinion of the client’s framework dated June 2023. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Shades of Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client’s policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

‘Shades of Green’ methodology

CICERO Shades of Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

Shading	Examples
 <p>Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.</p>	 <p>Solar power plants</p>
 <p>Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.</p>	 <p>Energy efficient buildings</p>
 <p>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.</p>	 <p>Hybrid road vehicles</p>

The “Shades of Green” methodology considers the strengths, weaknesses and pitfalls of the project categories and their criteria. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised, including potential macro-level impacts of investment projects.

Sound governance and transparency processes facilitate delivery of the client’s climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Shades of Green considers four factors in its review of the client’s governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: 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.

Assessment of alignment with Green Bond Principles

CICERO Shades of Green assesses alignment with the International Capital Markets' Association's (ICMA) Green Bond Principles. We review whether the framework is in line with the four core components of the GBP (use of proceeds, selection, management of proceeds and reporting). We assess whether project categories have clear environmental benefits with defined eligibility criteria. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed. The selection process is a key governance factor to consider in CICERO Shads of Green's assessment. CICERO Shades of Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Shades of Green places on the selection process. CICERO Shades of Green assesses whether net proceeds or an equivalent amount are tracked by the issuer in an appropriate manner and provides transparency on the intended types of temporary placement for unallocated proceeds. Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs.

Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Balder Draft Green Financing Framework 2023 (2023-04-27)	Balder's Green financing framework dated June 2023
2	balder_green_bond_impact_report_2021_web	Balder's 2021 Green bond report
3	green_bond_impact_report_2020	Balder's 2020 Green bond report
4	1561271	Balder's 2021 Annual report
5	fastighets_ab_balder_annual_report_2022_2	Balder's 2022 Annual report
6	health_and_safety_policy_2022	Balder's Health and Safety Policy
7	sustainability_policy_2022	Balder's Sustainability Policy
8	code_of_conduct_2022	Balder's Code of Conduct
9	equality_and_diversity_policy_2022	Balder's Equality and Diversity Policy
10	transport_and_travel_policy_2022	Balder's Transport and Travel Policy
11	whistleblowing_policy	Balder's Whistleblowing Policy

Appendix 2: About CICERO Shades of Green

Shades of Green, now a part of S&P Global and formerly part of CICERO, 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.

Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. Shades of 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. Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

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- ★ **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