

# Green Finance Framework

JULY 2021

## 1. Introduction

### 1.1. About Peab AB

Peab AB (“Peab” or the “Company”) is the Nordic Community Builder. With long-term owners, solid core values and a business that since 1959 has developed one step at a time, Peab has everything in place to continue to do what is best for its customers, employees, owners and society in the long run. Peab has more than 16,000 employees in Sweden, Norway, Finland and Denmark and has headquarters in Förlöv on Bjäre Peninsula in southern Sweden. The Peab share is listed on Nasdaq Stockholm.

Peab is unique in that the Company is organized in four business areas that collaborate to use wherever possible local resources in the form of own personnel, input goods and subcontractors. Together with Peab’s social engagement in the community and integrated climate and environmental work, this forms the foundation of what the Company calls “locally produced community building”. The four collaborating business areas enable Peab to be efficient and have a high level of processing. Further, it provides Peab with control over a project and a flexibility to adapt its operations mix as needed.

The business areas can be described as follows:

- i. **Business area Construction** works with everything from new construction of homes, public and commercial premises to renovations and extensions as well as offering construction services
- ii. **Business area Civil Engineering** is active on the local civil engineering market as well as in larger Nordic infrastructure projects like highways, railroads and bridges. It also operates and maintains streets and roads
- iii. **Business area Industry** delivers, among other things, mineral aggregates, concrete, asphalt, temporary electricity and prefabricated concrete elements to external customers and the other business areas in Peab. The business area also provides cranes, equipment and transportation and provides recycling services
- iv. **Business area Project Development** handles Group acquisitions as well as development, management and divestment of housing and commercial property. The business area consists of Housing Development, which is mainly geared towards private consumers, and Property Development, which is aimed at real estate investors

We believe that this way of conducting our business also helps us in steering towards reaching the targets in our four strategic target areas. Our internal and external financial and non-financial targets are categorized under the target areas; Most satisfied customers, Best workplace and Most profitable company as well as the fourth strategic target area, Leader in social responsibility.



### 1.2. Peab’s sustainability contribution

For Peab sustainability means responsible entrepreneurship. Everything we do should be ethical and sustainable long-range Socially, Environmentally and Economically. Peab strives to reduce risk and create added value for customers, employees, suppliers and shareholders while contributing to sustainable social development. To achieve this, the Company works actively with environmental issues and has a strong social commitment, anchored in locally produced community building. Peab cares about good business ethics and strives for long-term and trusting relationships.

#### Peab’s contribution to the UN SDGs

Peab has signed the UN Global Compact and seeks to contribute to the global agenda in line with the UN Global Sustainable Development Goals (“SDGs”). In an updated assessment conducted by Peab in 2020, six of the SDGs were deemed extra prioritized for the period 2021-2023. The choice of SDGs was either based on areas that hold significant potential risk or areas where Peab has good opportunities to contribute to sustainable development.



#### Sustainability governance

Peab’s Board has given the executive management the overriding responsibility for steering and monitoring the integration of sustainability into every aspect of the business. The responsibility for fulfilling the Group’s goals and strategies, including sustainability aspects, lies with the business areas, close to the customer and in all joint functions that have the task of coordinating and driving

the work towards the goals. Peab works continuously to raise knowledge levels in every part of the organization around matters like the work environment and health, the environment, equal opportunity, leadership, ethics and anti-corruption.

#### Sustainability policies

Peab's fundamental, internal steering document is the Code of Conduct which is based on the Company's core values as well as the UN Global Compact principles that include the precautionary principle, human rights and ILO's core conventions. The President and CEO has ultimate responsibility for ensuring that the Code of Conduct is followed and communicated. This responsibility then goes down the chain of command through management. Every employee is in turn responsible for taking in the information and following the Code of Conduct. Peab has a whistleblower function for anyone, employees or external stakeholders, who wishes to draw attention to deviations from the Code of Conduct or other irregularities in the business. The Code of Conduct is available in six languages: English, Norwegian, Finnish, Polish, Danish and Swedish. Peab's Code of Conduct is complemented by four policies; the Environmental Policy, Quality Policy, Information Security Policy and Work Environment Policy. These are then supplemented by a number of other supportive documents such as the Group's equal opportunity plan.

#### Reporting

Peab's Annual and Sustainability Report makes up the annual report to the UN Global Compact. In accordance with the decision by Peab's President and CEO the company will continue to follow the UN Global Compact. Peab reports its sustainability work according to the reporting standard Global Reporting Initiative (GRI), version GRI Standards, Core. Peab has also been reporting to CDP on Climate Change since 2010. The Company has begun to implement TCFD's recommendations. Peab considers them a good tool for structurally reporting how the Company works with climate-related risks and opportunities as well as in identifying improvement areas. During 2020 the work to ensure the quality of the data in all sustainability aspects has continued. This is a challenging process that will proceed in 2021.



#### Sustainability targets

As one of the largest Nordic construction companies, Peab holds significant responsibility with regards to climate footprint. Peab's goal is to be climate neutral by 2045 (including Scope 1, 2 and 3). To reach this, Peab has set two sub-goals:

- i. **Carbon dioxide intensity (own production):** Regarding

lower emissions of greenhouse gases from own production (Scope 1 and 2), the target is to reduce carbon dioxide intensity (tons CO<sub>2</sub>e/MSEK) by 60 % by 2030, compared to base year 2015

- ii. **Carbon dioxide intensity (input goods and purchased services):** Regarding lower emissions of greenhouse gases from input goods and purchased services (Scope 3), the target is to reduce carbon dioxide intensity (tons CO<sub>2</sub>e/MSEK) by 50 % by 2030, compared to base year 2015

Further, Peab has set targets to phase out environmentally hazardous products by 2030 and to have a business that is 100% resource efficient by 2040.

Peab has also signed the "Roadmap for Fossil-Free Competitiveness" (Sw. "Färdplan för fossilfri konkurrenskraft") for the construction sector, which includes the whole value chain including materials. In Peab's own operations most of the carbon dioxide emissions are generated by fossil fuels used in transportation vehicles and construction equipment, heating workplaces and manufacturing products. The materials and products Peab choose, how waste is managed and how goods are transported are examples of activities where the environmental impact is outside of the Company's own operations, but where the decisions Peab makes will have a significant effect. Peab wants to take responsibility for reducing climate impact throughout the entire value chain based on a life cycle perspective. Among other things, Peab works on energy conserving measures and phasing out and replacing fossil energy with renewable energy.



### 1.3. Green Finance Framework

Sustainability is an integral part of Peab's daily operations and business strategy. The establishment of this Green Finance Framework (the "Framework") is a natural next step in Peab's sustainability work as it will enable linking sustainable operations to sustainable finance.

This Framework has been developed in alignment with the Green Bond Principles ("GBP")<sup>1</sup> and Green Loan Principles ("GLP")<sup>2</sup>. The Framework is applicable for issuance of

<sup>1</sup> Green Bond Principles published in June 2021 are voluntary process guidelines for issuing green bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>2</sup> Green Loan Principles published in February 2021 are voluntary process guidelines for issuing green loans established by Loan Markets Association ("LMA"), <https://www.lsta.org/content/green-loan-principles/>

green bonds, hybrid bonds and other types of debt instruments such as loans, revolving credit facilities, commercial papers, etc. (collectively referred to as “Green Finance Instruments”). Green Finance Instruments under this Framework can be issued by the parent company Peab AB or any of its subsidiaries.

The Framework is aligned with the four recommended components of the GBP and GLP; use of proceeds (Section 2), process for project/asset evaluation and selection (Section 3), management of proceeds (Section 4) and reporting and transparency (Section 5).

Furthermore, the Framework is reviewed by an external impartial firm, which has provided a second opinion to confirm its alignment with the GBP and GLP.

The Framework and second opinion from CICERO Shades of Green are available on Peab’s website.

## 2. Use of proceeds

An amount equivalent to the net proceeds from Peab’s Green Finance Instruments shall be used to finance or re-finance eligible assets and expenditures providing distinct environmental benefits (“Green Eligible Assets”). The Company will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Green Eligible Assets.

Green Eligible Assets can be owned by Peab or by any of its subsidiaries, joint ventures or associated companies. For the latter two mentioned, the value of Green Eligible Assets is to be adjusted for the share of capital owned by Peab.

The value of Green Eligible Assets under the category “Green and energy efficient buildings” is based on the following criteria; i) buildings under the construction are based on the estimated project value (subject for completion within 24 months), and ii) buildings under own management are based on the market value reported in the balance sheet. For the remaining three categories, Green Eligible Assets correspond to the relevant invested amount and associated operating expenditures. More details are available in the table on the next page.

### EU Taxonomy alignment

Peab is in the process of implementing the EU Taxonomy and preparing for the reporting for 2021. However, more time is needed to perform a complete EU Taxonomy assessment covering alignment with technical screening criteria and the requirements for the “do no significant harm” assessment. Hence, the Company has focused on evaluating its activities substantial contribution to environmental objectives so far. The Company’s preliminary assessment suggests that its economic activities related to this Framework mainly contribute to the environmental objective Climate Change Mitigation.



Green Eligible Assets categories	Sub-categories	Examples relevant for Peab
Green and energy efficient buildings	<p>Buildings that either have or with the objective to receive:</p> <ul style="list-style-type: none"> <li>• Miljöbyggnad Silver or Nordic Swan Ecolabel; or</li> <li>• Energy consumption at least 20% below the applicable national building regulation; or</li> <li>• EPC of class A is applicable for all countries. In Sweden, EPC of class B is also included; or</li> <li>• Major renovations resulting in reduced energy consumption of at least 30%</li> </ul>	<ul style="list-style-type: none"> <li>• Tenant-owner association (Sw. "Bostadsrättsförening" or "Brf") Fyrskeppet in Malmö (Nordic Swan Ecolabel) is our most climate-smart residential area to date. No greenfield land will be used, but instead we invest in rehabilitating a contaminated site, so it is an environmental benefit right from the start. In the area, there are plenty of resources that can be used in construction projects and that also add value to the future living area, e.g. biodiversity, water and materials that can be reused.</li> </ul>
Eco-efficient and/or circular economy adapted products, production technologies and processes	<p>Investments and associated operating expenditures related to the development, production and use of ECO-products, with significant reduced environmental footprint compared to standard products. Investments and associated operating expenditures within this particular category may include:</p> <ul style="list-style-type: none"> <li>• Production facilities</li> <li>• Machinery and equipment</li> <li>• Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• The use of biofuel for drying and heating the gravel material in the manufacturing of Peab's ECO-Asfalt, which is the process that requires the most energy, reduces carbon dioxide emissions significantly compared to traditionally produced asphalt</li> <li>• In ECO-Betong part of the cement is replaced with slag, a by-product in steel manufacturing. This reduces both carbon dioxide emissions from manufacturing and saves the extraction of virgin limestone. Peab has invested in a factory for producing our own binder <i>Merit</i>, which is made from slag from SSAB</li> </ul>
Water and waste management	<p>Investments and associated operating expenditures related to minimized waste, minimized wastewater and increased recycling. Investments and associated operating expenditures within this particular category may include:</p> <ul style="list-style-type: none"> <li>• Recycling facilities</li> <li>• Machinery and equipment related to recycling/wastewater treatment</li> <li>• Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Our C&amp;D Recycling Wash Plants contribute to circular material flows by efficiently recycling surplus excavated soil from excavations and infrastructure projects. The amount of surplus excavated soil that becomes landfill, can be reduced by 80%</li> </ul>
Clean transportation	<p>Investments and leasing expenses related to low-carbon transport solutions for people and goods including:</p> <ul style="list-style-type: none"> <li>• Construction equipment using low-carbon energy at the construction sites</li> <li>• Low-carbon vehicles, such as electric, hybrid and low-carbon fuel vehicles</li> <li>• Infrastructure supporting electric vehicles, such as charging stations and infrastructure preparing for electric vehicle charging provisions</li> <li>• Infrastructure enabling increased access to low-carbon fuel</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange of vehicles and construction equipment into low-carbon alternatives</li> <li>• Innovation projects for electrical transportation solutions such as Swerock's test drive of a concrete mixer truck and a hook lift truck – both electric – in daily operations during two years in the Gothenburg area</li> </ul>

## 3. Process for Asset Evaluation & Selection

### 3.2. Selection of Green Eligible Assets

The evaluation and selection process for Green Eligible Assets is a key process in ensuring that the amount equivalent to the net proceeds from Green Finance Instruments is allocated to assets and expenditures which meet the criteria in the Framework.

The selection of Green Eligible Assets is managed by a dedicated group, the Green Finance Committee ("GFC"). Members of the GFC consists of the CEO, CFO, Head of Finance, and Group Environmental Manager. Peab will assure that the sustainability expertise always relies within the GFC. All decisions are made in consensus, and this applies to the selection process of Green Eligible Assets as well.

A list of Green Eligible Assets is kept by the Finance Department who is also responsible for keeping it up to date.

### 3.3. Further responsibilities of the GFC

The GFC will follow the development of the green financing market and manage any future updates of the Framework to reflect current and future market practices (e.g. related to the EU Taxonomy) and potential updates to the GBP and GLP.

The list of Green Eligible Assets is monitored on a regular basis during the term of the Green Finance Instruments to ensure that the proceeds are sufficiently allocated to Green Eligible Assets. This is also a responsibility of the GFC.

### 3.4. Exclusion criteria

The proceeds of Peab's Green Finance Instruments will not be used to finance either fossil fuel energy generation, nuclear energy generation, weapons, and defence industries nor gambling, or tobacco.

## 4. Management of proceeds

Equivalent to the net proceeds from Peab's Green Finance Instruments will be tracked by using a spreadsheet where all issued amounts of Green Finance Instruments will be inserted. The spreadsheet will contain the list of Green Eligible Assets mentioned in Section 2. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5.

All Green Finance Instruments issued by Peab will be managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to one (or more) pre-determined Green Eligible Assets. The Company will keep track and ensure there are satisfactory Green Eligible Assets in the portfolio. Assets can, whenever needed, be removed, or added to/from the Green Eligible Assets' portfolio.

Any unallocated proceeds will be temporary held by Peab and placed on the Company's ordinary bank account.

## 5. Reporting & transparency

To be fully transparent towards investors and other stakeholders, Peab commits to regular reporting until no Green Finance Instruments are outstanding. The report will be published on the Company's website on an annual basis and will cover the following areas:

### 5.2. Allocation of proceeds reporting

- Total amount of Green Finance Instruments issued
- Share of proceeds used for financing/re-financing and share of proceeds used for categories described in Section 2
- Share of unallocated proceeds (if any)

### 5.2 Impact reporting

Peab intends to report on quantitative impact indicators where relevant data is available for the below four main categories. Calculations will be made on a best effort basis. Examples of metrics are listed below:

#### Green and energy efficient buildings:

- Information on the energy consumption in kWh/m<sup>2</sup>/year
- Energy performance certificate class, if any
- Type of certification including level, if any (e.g. Miljöbyggnad Silver, Nordic Swan Ecolabel, etc.)
- Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)

#### Eco-efficient and/or circular economy adapted products, production technologies and processes:

- Share of ECO products of total production (%)
- Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)

#### Water and waste management:

- Metric tons processed in the facility
- Material recovery rate (%)

#### Clean transportation:

- Share of vehicles/equipment using low carbon energy in relation to total fleet
- Estimated annual greenhouse gas emissions reduced or avoided (tCO<sub>2</sub>e)

## 6. External review

### Second opinion

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



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