



Green Bonds Framework

2019 – revised 2021



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11 September 2019

Revised/alterred/changed 2 March 2021

1. Introduction

The NCC group is one of the leading construction and property development companies in the Nordic region and is active throughout the value chain in its efforts to create environments for work, living and communication. NCC develops commercial properties and constructs housing, offices, industrial facilities and public buildings, roads, civil engineering structures and other types of infrastructure. NCC also offers input materials used in construction and accounts for paving, operation and maintenance of roads.

The Group's vision is to renew the industry and provide superior sustainable solutions. NCC aims to be a leading player in the markets the company serves and to proactively contribute to reduce the use of non-renewable materials, increase societal value and develop new technical solutions, products and work methods that promote sustainable development for the customers, the Group and society at large. For NCC, this involves taking into account the needs of current and future generations, increasing its competitiveness and ability to generate profitable growth and taking long-term responsibility in its daily operations.

Since the inception of NCC's sustainability targets in 2015, NCC has reduced the amount of CO₂ by 32% from our own operations and the amount of building and construction waste

from 1.64 tons/SEKm sales to 1.17 tons/SEKm in 2018. This means that 50% of all of NCC's building and construction waste are being reused or that the material is being recycled. This is an effect of ambitious sustainability targets, in combination with emphasis on sustainability and education throughout the organization.

The expertise, knowledge and solutions which NCC contributes with are imperative to the achievement of sustainable development at places where people work, reside, travel and live. For instance, NCC contributes to creating inclusive societies by building affordable housing and infrastructure that remove physical and mental barriers in cities. By integrating green areas into urban environments, NCC also contributes to improving biodiversity and sustainable ecosystems as well as help communities thrive by raising knowledge and quality of life by building schools and hospitals.

Due to confidentiality agreements, competitiveness consideration, or numerous projects NCC need to make a change in this Green Bond Framework. This revised version comprises a change under Reporting, bullet 5b) where the word "each" is removed as well as an update on NCC's sustainability organization and steering



NCC's Sustainability Framework

NCC's sustainability work constitutes the foundation for NCC's future development. The purpose of NCC's sustainability work is to use NCC's offerings to create conditions for people to work, reside, travel and live in a sustainable manner which in turn will increase value for shareholders, customers and society as a whole.

As a way to ensure that sustainability permeates the way NCC operates, the Group has implemented a Sustainability Framework outlining six principal sustainability areas where NCC can make substantial impact in line with the UN Sustainable Development Goals and Agenda 2030; (i) *Health and Safety*, (ii) *Social Inclusion*, (iii) *Materials and Waste*, (iv) *Climate and Energy*, (v) *Compliance* and (vi) *Portfolio Performance*.

For each area within the framework, NCC has long-term statements to serve as directions within sustainability. These relate to long-term changes in market conditions, they outline the path ahead and they provide a sustainable direction going forward. For a description of NCC's work on the Sustainable Development Goals, see Appendix 1. In addition to the long-term direction going forward, NCC has complemented the Sustainability Framework with tangible strategic sustainability targets for the period 2016-2020 as outlined in NCC's sustainability report 2018, see p 76-89.



NCC's efforts to make a difference while delivering sustainable solutions that meet its clients' needs were confirmed in 2018 as customers in the construction industry named NCC as Sustainability Industry Leader in the largest brand study on sustainability in the Nordics, the Sustainable Brand Index. Clear examples of such solutions are the production of the more sustainable NCC Green Asphalt® as well as NCC's efforts in reviewing and switching to use of renewable materials in addition to sustainability initiatives that go beyond NCC and the construction industry such as the launch of the corporate forum Circular Sweden.



The CEO is ultimately responsible for NCC's sustainability efforts and NCC's Senior Management Team takes decisions concerning which Group-wide sustainability targets are to be followed up. Each business area and functions set relevant targets for their operations. The sustainability work is conducted in the five business areas and is coordinated regularly both by country and on Group level when relevant. Following the reorganization in spring 2020, parts of the responsibility for sustainability were also migrated from the Group organization, and functions will now take responsibility for their sustainability related activities, for example, such functions as communications, purchasing and HR.

NCC publishes a Sustainability Report each year in conjunction with its Annual Report which highlights NCC's sustainability objectives and performance. The Sustainability Report is available on the Group's website www.ncc.group.

In addition to NCC being praised by its customers in the Sustainable Brand Index as Industry Leader within sustainability, the Group also annually reports to CDP's "Climate change program" on NCC's energy consumption and gas emissions. During 2018, NCC belonged to the top 5% of organizations in the world that are leaders in the effective management of carbon and climate change risk.

This Green Bonds Framework has been developed to be aligned with the Green Bond Principles 2018. It is the intention of the NCC Group to follow the development in the market as the standards develop.

2. Use of proceeds – Eligible Projects

The NCC Group will exclusively apply the net proceeds from the issuance of Green Bonds to finance a portfolio of "Eligible Projects". Eligible Projects means a selected pool of projects determined as eligible according to this framework. Eligible Projects promote the transition to a low-carbon and climate resilient society. Projects might be funded in whole or in part by the NCC Group.

Eligible Projects include projects that target either climate change or other environmental issues and fall into three overriding categories:

- a) **mitigation** of climate change, including investments in low-carbon and clean technologies, such as energy efficiency, sustainable transportation solutions and conversion to renewable energy sources.
- b) **adaptation** to climate change, including investments in climate-resilient buildings and infrastructure or
- c) **other environmental projects** in other areas than climate change such as biodiversity conservation.

The net proceeds from Green Bonds issued by NCC can be used to a) finance the acquisition, development, construction and R&D of new Eligible Projects, b) finance renovation and upgrade of existing Eligible Projects and/or c) refinance Eligible Projects. The legal documentation for each individual Green Bond issued by NCC shall provide a reference to this Green Bonds Framework.



The split of Green Bond proceeds between new projects and refinancing will be included in NCC's annual Green Bond Investor Report, see section 5 below¹. NCC's Green Bonds will not finance nuclear power or fossil-fuel based energy generation projects.

Eligible Projects can fall within the following categories:

- **Green buildings:**
 1. New commercial, residential and societal properties that have or will have either of the following certifications: a) BREEAM Excellent or b) DGNB Gold and that have an energy use (kWh/m²/year) that is at least 20% lower than the requirements in national regulations (applies for Sweden).
 2. Properties where major renovation/retrofitting has resulted in a reduced energy use (kWh/m²/year) of at least a 30%.
- **Waste management** – waste prevention, waste reduction, recycling and reuse, and rehabilitation of contaminated land such as:
 - Investments in equipment for the recycling of mineralogical materials (RAP = recycled asphalt, concrete, bricks, shafts and earth masses, swept up anti-slip materials)
- **Conversion to renewable energy sources:**
 - Conversion of asphalt plants from fossil to renewable fuels
 - Conversion of stone crushers and other equipment from fossil fuels to electricity



Wood pellets that replace fossil fuels in NCC's asphalt production, which results in a strong carbon dioxide-reduced manufacturing process.

1) New projects are defined as projects that have been taken into operation within one year before the approval by NCC's Green Bond Committee and thereafter.

3. Process for evaluation and selection of projects

All potential Eligible Projects are evaluated by NCC's Green Bond Committee consisting of representatives from the Sustainability and Treasury departments. The Green Bond Committee meets on a quarterly basis or when needed and decides in consensus which potential projects that meet the requirements for Eligible Projects according to this Framework. Only projects with a high likelihood of having positive, long-term environmental effects will be approved. The Committee will document all decisions and will keep a list of all approved Eligible Projects.

If, for any reason, an approved Eligible Project ceases to meet the eligibility criteria, it will be removed from the list of Eligible Projects with financing from the proceeds from Green Bonds issued by the NCC Group.

4. Management of proceeds

The net proceeds from the issue of Green Bonds will be credited to a segregated account with the purpose to finance NCC's Eligible Projects (as defined in section 2).

As long as Green Bonds are outstanding and proceeds from issues are available on the segregated account, NCC will, at the end of every fiscal quarter, deduct funds from the segregated account in an amount equal to disbursements for the financing of Eligible Projects made during such quarter.

Until disbursement to Eligible Projects, the segregated account balance will be placed as part of the liquidity reserve and managed accordingly.

5. Reporting

To enable investors and other stakeholders to follow the development of NCC's Eligible Projects and to get insight into prioritised areas, NCC will provide an annual Green Bond Investor Report including:

- a) The total amount of Green Bonds issued and outstanding
- b) A list of Eligible Projects financed with proceeds from Green Bonds including allocated and disbursed amounts to Eligible Project Categories and a brief description of the projects and their main environmental impact.
- c) Expected or actual environmental impacts from Eligible Projects when relevant and feasible. NCC follows the GHG protocol and will report in accordance with it for Scope 1 and 2 when relevant.
- d) The distribution of allocation between different Eligible Project categories
- e) A description of the allocation between financing of new projects and re-financing
- f) The balance of the segregated account and the amounts held as part of the liquidity reserve (if any)

The information may be provided on an aggregated portfolio basis due to confidentiality agreements, competitiveness consideration, or numerous projects limiting the amount of detail that can be made available. The Green Bond Investor Report will be published at NCC's web page.



6. External review

NCC will have its Green Bonds Framework reviewed by a Second Party Opinion provider who will issue a Second Party Opinion.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Green Bond Investor Report will be reviewed annually by NCC's external auditor.

The Green Bonds Framework, Second Party Opinion as well as the opinion of the external auditor will be made publically available on NCC's web page.

NCC'S POSITIVE IMPACT THROUGH THE CORE BUSINESS



NCC'S RESOURCE MANAGEMENT



NCC'S FOUNDATION



A more detailed description of how we work with the global goals and why we have chosen the goals below is available on our website:
<https://www.ncc.se/hallbarhet/hallbarhetsmal/nccs-bidrag-till-fns-globala-mal/>

Appendix