



# *Sustainability-linked bond framework*

*January 2024*



## Table of Contents

<b>1. ABOUT ZENGUN.....</b>	<b>3</b>
1.1 Business overview .....	3
1.2 Zengun's values .....	4
<b>2. SUSTAINABILITY AT ZENGUN.....</b>	<b>4</b>
2.1 Sustainability strategy.....	5
2.1.1 Zengun is a sustainability advisor from the outset .....	5
2.1.2 Ensuring sustainability throughout the supply chain .....	5
2.1.3 Pushing the transition to circularity forward.....	5
2.2 Sustainability policies and governance.....	6
2.3 Sustainability targets .....	7
2.4 Employees .....	8
2.4.1 Equal treatment and diversity .....	8
<b>3. SUSTAINABILITY-LINKED FRAMEWORK.....</b>	<b>9</b>
3.1 Selection of Key Performance Indicators.....	9
3.1.1 Historical development .....	10
3.2 Calibration of Sustainability Performance Targets.....	11
3.2.1 Strategy and risks to achieve SPT 1 .....	12
3.2.2 Strategy and risks to achieve SPT 2 .....	12
3.3 Bond characteristics.....	13
3.4 Reporting.....	13
3.5 Verification.....	13

## 1. ABOUT ZENGUN

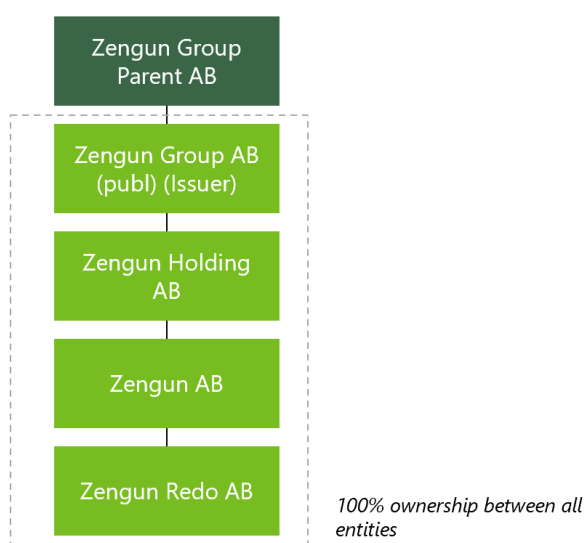
### 1.1 BUSINESS OVERVIEW

Zengun Group AB (and together with its subsidiaries, “**Zengun**”, the “**Company**” or the “**Group**”), founded in 2009, is one of the leading construction contractors in Stockholm and the Mälardalen region, focusing on managing construction projects on behalf of well-known players in the real estate industry. As of Q3 2023, the Company had revenues of SEK 2,733m (LTM) and employed approximately 150 people.

Zengun's main focus is on large commercial properties in dense urban areas, predominantly in the greater Stockholm area, which is the Nordic region's largest building and construction market. However, Zengun also undertakes specialty projects that require a high degree of competence and experience. This versatility allows Zengun to cater to a wide range of construction needs, making it a preferred choice for many clients.

The Company operates through two business units: i) Project Partnering and Construction (together “**Construction**”) and ii) Property Maintenance and Construction Services (together “**Construction Services**”). Construction makes up 87% of Zengun's revenue<sup>1</sup> and relates to planning and managing the construction of new buildings throughout the construction process, with contracts generally exceeding SEK 100m in value. Construction Services makes up the remaining 13% of Zengun's revenue<sup>1</sup>, and encompasses smaller contracts involving property maintenance and other construction services. The two business units each correspond to their separate subsidiary: Zengun AB (Construction), and Zengun Redo AB (Construction Services) (See Figure 1 for a Group structure overview). The Company has identified three parts of the construction value chain as relevant to its operations: Construction, demolition, and recycling (See Figure 2).

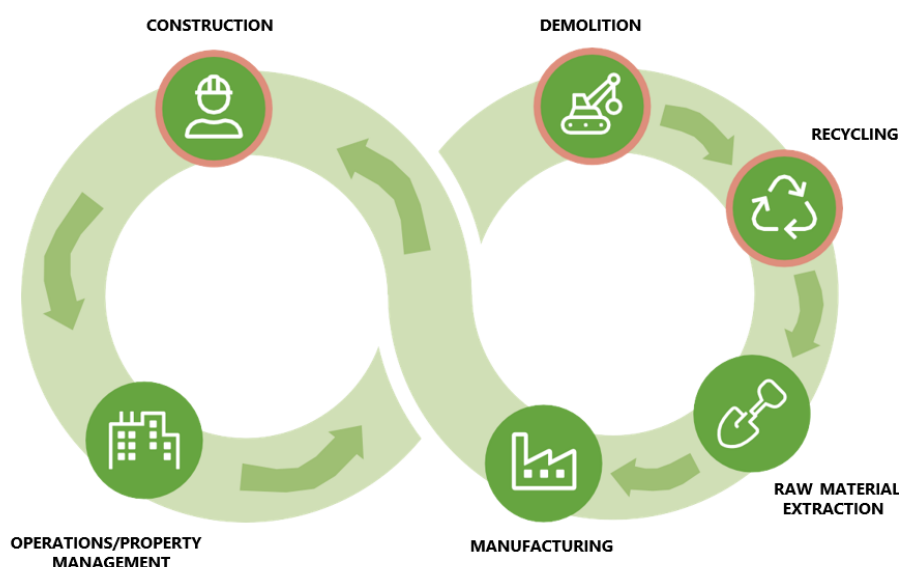
**Figure 1.** Group structure overview.



One of Zengun's strengths lies in its strong and long-standing customer relationships with tier 1 real estate companies and developers. This has been achieved through a combination of high-quality work, a customer-centric approach, and a commitment to delivering projects on time and within budget. The Company operates on a business model that focuses on de-risking through partnerships and subcontracting. Most of the Company's employees are engaged in planning and managing projects, rather than performing construction services on-site. As such, the breakdown of white-collar and blue-collar workers per Q3 2023 was 130/21. By executing projects with trusted subcontractors, Zengun is able to increase flexibility and reduce operational risk. This approach also allows Zengun to adapt to the changing needs of a project quickly and efficiently, ensuring that the final product meets the client's expectations.

Per Q3 2023 LTM.

**Figure 2.** Zengun's position in the value chain. Bold circles indicate the phases in which Zengun operates.



## 1.2 ZENGUN'S VALUES

Zengun is deeply committed to its three core values: Partnering, Knowledge, and Sustainability.

**Partnering:** Zengun believes in the power of collaboration, respect, and humility. The Company is built on the principle of helping colleagues, partners, and customers succeed. This value is reflected in their customer-centric approach, which aims at fostering long-term business relationships.

**Knowledge:** Zengun prides itself on its expertise and know-how in delivering high-quality projects. The Company's knowledge extends to various sectors, including commercial properties, residential projects, and the public sector. Zengun's systematic approach, backed by quality-certified management groups, ensures the delivery of complex and innovative projects.

**Sustainability:** Zengun is dedicated to building a sustainable society through ethical practices and long-term relationships with partners and customers. The Company's commitment to sustainability permeates through all its construction projects, as well as its internal operations. Zengun's sustainability efforts are guided by a strong ethical compass, and the Company continually strives to improve its property portfolios in each project by offering know-how and skills as a collaboration and sustainability partner.

## 2. SUSTAINABILITY AT ZENGUN

Zengun strives to take responsibility and contribute to the development of a sustainable society. The Company implements its sustainability work systematically at all levels of its operations, with the ambition of being a driving force in the advancement of a sustainable society.

Sustainability aspects are essential for maintaining competitiveness as a premium builder, and for fulfilling the responsibility to build sustainably for future generations. This responsibility encompasses the impact of Zengun's operations on society from a financial, environmental, and social perspective. The Company ensures compliance with environmental and social sustainability criteria in the supply chain by establishing requirements for subcontractors and suppliers.

Zengun's most important stakeholders are customers, employees, suppliers, subcontractors, investors, third parties and other stakeholders in society, such as government agencies and trade unions. To keep Zengun's sustainability efforts up-to-date and relevant, a materiality analysis is performed every three years, with the most recent one was in 2021. At that time, Zengun also conducted a transparent and continuous dialogue with the existing customers, employees, potential customers, investors and suppliers.

With the help of these dialogues, Zengun mapped relevant issues to provide a solid basis for the continued analysis of the efforts with developing sustainability work. Zengun is noting a continued sustainability focus among its

stakeholders, which stems from increased governance and follow-up at the supplier level, as well as minimised climate impact throughout the value chain, with a strong emphasis on reuse and energy efficiency.

Prioritised focus areas for Zengun based on the materiality analysis:

- Work environment and personal safety
- Human rights, labour law and countering corruption and bribes
- The circular flow of materials
- Reduced climate footprint throughout the value chain
- Equal treatment and diversity
- Physical and mental well-being
- Sustainable finances
- Energy efficiency

## 2.1 SUSTAINABILITY STRATEGY

### 2.1.1 Zengun is a sustainability advisor from the outset

Zengun assumes the responsibility for influencing what products, materials, work methods and project-specific requirements to use, in terms of quality, the environment and the work environment. Early participation in projects enables a proactive approach that generates added value, business and competitive advantages, and long-term savings for Zengun's customers. This entails engaging in close dialogue to investigate, discuss and understand the conditions for different parties, in order to make good choices and promote a more sustainable industry. Specifically, this is achieved by taking an active role in forming the project's vision within areas such as circulation of materials (waste management, reuse, choice of materials), climate impact (choice of materials, transportation, life-cycle analysis), environmental certification (type and level) and social issues (supplier assessments, local commitment). Just as Zengun endeavours to act as its customers' sustainability partner, the Company also evaluates suppliers, based on their ability to perform in accordance with Zengun's sustainability objectives.

To be able meet the growing requirements on sustainability within the sector, Zengun makes continuous investments within the field, including employee training, competence development and recruitments. Furthermore, Zengun is involved with several industry-wide initiatives and networks to strengthen competence in the field of sustainability and to set good examples and increase the demand for sustainable construction in the long term.

### 2.1.2 Ensuring sustainability throughout the supply chain

A sustainable supply chain is built on an efficient purchasing process – from the choice of materials to socially responsible production of products and services. All of Zengun's projects have their own conditions, but what they have in common is the central role of a sustainability perspective in the entire construction process. The majority of the budget for a construction project consists of purchased services and materials. Procurement process governance is therefore essential for sustainability, since it accounts for the majority of the Group's sustainability impact as well as the individual project's effects on individuals, society and the environment. The prerequisites for successful projects include good planning, selection of purchasing strategies, requirements established as of the procurement stage and ongoing consultation during production. Zengun has well-established procedures in place to ensure that sustainability initiatives are applied throughout the supply chain.

### 2.1.3 Pushing the transition to circularity forward

There is a growing trend towards circularity that is in line with tighter requirements, as well as increased demand from Zengun's customers and from the industry in general. There is considerable potential for reducing resource use in the construction sector and by advocating reuse over material recycling in remodelling and demolition projects, the conditions are created to eventually transition to fully circular material flows that are in line with the UN's sustainable development goals. Solid work with reuse needs to be combined with flexible building designs that allow long-term

resource efficiency when implementing future adaptations and changes. Zengun's expertise enables, as early as during the planning phase, to contribute with advice and knowledge about how such projects can be realised. Optimising waste sorting and the recycling of construction and demolition waste is a hygiene factor for Zengun and something that the Company is constantly striving to improve. This includes handling construction material in the best possible way as well as good planning and preventative work to minimise the amount of waste. In practice, this could involve, for example, the purchase of cut-to-size building components and the return of packaging and material waste to suppliers.

## **2.2 SUSTAINABILITY POLICIES AND GOVERNANCE**

Zengun has an overall sustainability policy that regulates work methods related to environmental and social sustainability, and which applies to all employees, customers, suppliers, subcontractors and consultants. Each project has its own sustainability and / or environmental plan which is specific for each project. The sustainability policy is supplemented by the Company's code of conduct, as well as its quality policy, work environment policy, equal treatment plan, policy against unfair discrimination, pay policy, procurement procedure, supplier assessment procedure and whistle-blower function.

All of Zengun's employees, suppliers and partners are covered by the Company's code of conduct to ensure that Zengun operates responsibly in every respect. The code of conduct is based on the ten principles of the UN Global Compact for sustainable business. The Company's business strategy is permeated by the Global Compact's values and clear principles within business ethics, which entails that Zengun fulfil fundamental responsibilities in human rights, labour, the environment, and anti-corruption.

## 2.3 SUSTAINABILITY TARGETS

### TARGET 2030

**50%**

Reduction of carbon footprint in Scope 1 & 2 (together)

### BASELINE 2019

**1271 tonne CO<sub>2</sub>e**

### OUTCOME 2022

**577 tonne CO<sub>2</sub>e**





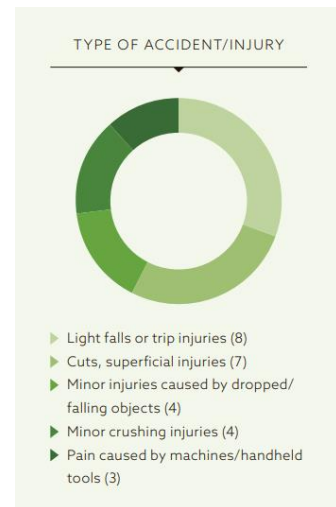
## 2.4 EMPLOYEES

The employees' skills and commitment are a large part of Zengun's offering. To enable them to realise their full potential, the workplaces are to be typified by high safety awareness and offer a safe work environment free from harassment. Health and safety must always be the top priority in the day-to-day work. Pursuant to Zengun's vision for zero workplace accidents, the Company conducts systematic safety work from three perspectives:

- Preventative
- Based on regulations
- Proceeding from informal structures at each workplace

Developing a high awareness of risks and a healthy safety culture is central to Zengun's efforts to achieve an injury-free workplace. Consequently, Zengun regularly provides all employees with health and safety training in order to develop attitudes and behaviours that promote a safe work environment.

Zengun is also a member of *Håll Nollan*, an important industry initiative to ensure that everyone gets home safely at the end of each workday.



### 2.4.1 Equal treatment and diversity

The construction industry is traditionally male-dominated, with an average of 9.6% women employees across the industry. Zengun actively promotes equality as part of its sustainability agenda. To challenge and ensure that the Company sustain proactive work with the issue, in 2021, Zengun chose to set the goal of increasing the proportion of women at the Company to 40% by the end of 2025.

#### SHARE OF WOMEN EMPLOYEES

**33%**

(2022: 35%)

#### SHARE OF WOMEN IN THE COMPANY MANAGEMENT

**60%**

(2022: 55%)

#### SHARE OF WOMEN ON THE GROUP'S BOARD OF DIRECTORS

**25%**

(2022: 20%)





### 3. SUSTAINABILITY-LINKED BOND FRAMEWORK

Zengun has decided to establish this Sustainability-Linked Bond Framework ("**Framework**") to further integrate its core sustainability objectives with its financing activities. The Framework is aligned with the five key components of ICMA's Sustainability-Linked Bond Principles, as listed below, and enables Zengun to issue Sustainability-Linked Bonds ("**SLB**"):

- Selection of Key Performance Indicators ("**KPI**")
- Calibration of Sustainability Performance Targets ("**SPT**")
- Bond Characteristics
- Reporting
- Verification

Zengun will seek external and independent verification by one or more qualified external reviewer with relevant expertise, confirming whether the selected KPIs meets the selected SPTs within the predefined timeframe. SLBs issued under this Framework should in their transaction specific documentation refer to this Framework. All relevant documentation will be made publicly available on Zengun's website.

#### 3.1 SELECTION OF KEY PERFORMANCE INDICATORS

The selection of KPIs has been made after considerations on which topics that are relevant, core and material to Zengun and its stakeholders as outlined in section 1 and 2 of this Framework. It has been important to identify KPIs that are of high strategic importance to the future operations and KPIs to which Zengun has an improvement potential.

Since 2019, Zengun performs annual climate reports in accordance with the Greenhouse Gas protocol, carried out by the third-party consulting firm 2050. Data has become more granular, and the methodology has been refined since inception in 2019. A material modification to the calculation methodology and data set was implemented during 2022, including a switch from proxy to real data. As such, year 2022 is deemed by Zengun to be the most appropriate baseline year as it caters for comparability and accuracy for carbon emissions.

Zengun's climate reports includes scope 1, 2, and 3 emissions in its entirety, where scope 3 emissions accounts for over 98% of the Company's climate footprint. Scope 1 and 2 emissions are primarily related to the Group's use of fossil fuels and electricity in offices but are also generated by various modes of transportation, such as passenger transport.

Scope 3 emissions are a result of the activities from external parties within Zengun's value chain. As such, Zengun has limited ability to control the outcome (in comparison to scope 1 and 2 emissions), except for the items that relate to the direct impact from waste management and work machines at the workplace, which historically have accounted for about 5-10% of total emission, according to current baseline. In the current baseline, life cycle analysis for buildings (purchase of capital goods, purchased goods and services) accounts for about 75-90% of the total climate impact. Majority of this item is already regulated in building permits/zoning plan. To the extent not already regulated, Zengun will use its standing to influence and promote climate-smart material choices and optimizations in the design/engineering.

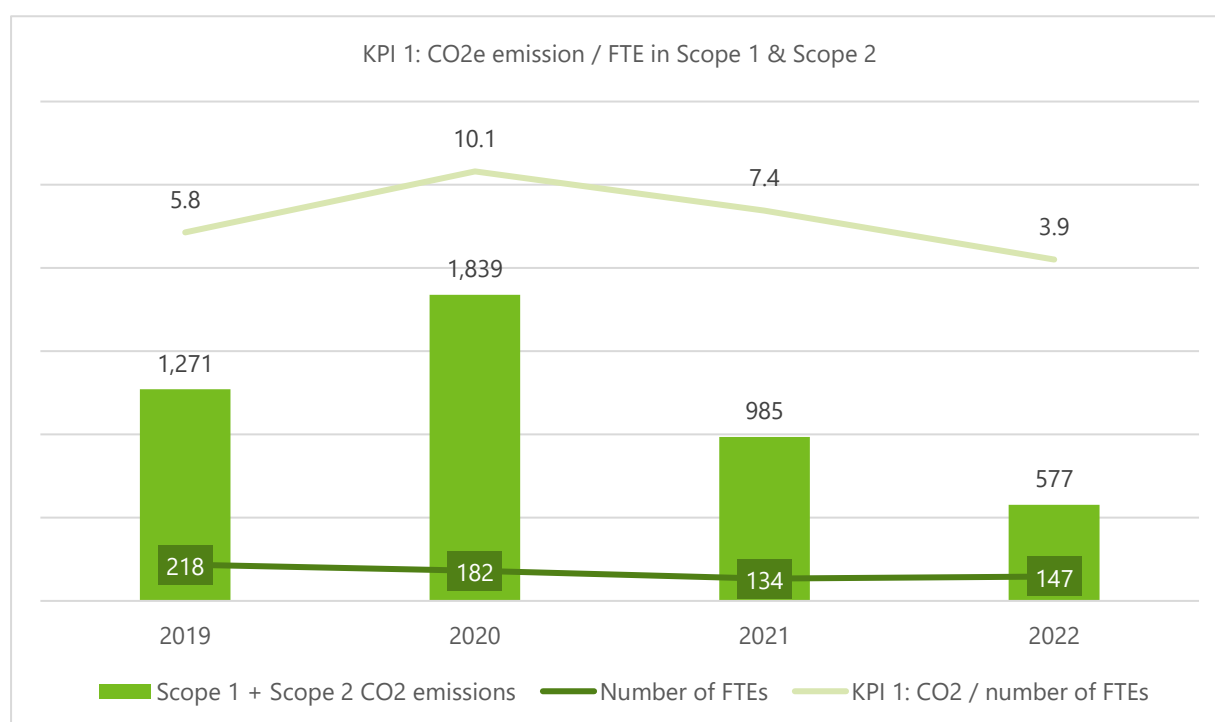
**Figure 3. Key Performance Indicators**

Key Performance Indicators	Definition
<b>KPI 1:</b>	The Group's scope 1 and 2 emissions per FTE (tCO <sub>2</sub> e / FTE).
<b>KPI 2:</b>	<p>The Group's scope 3 emissions* (multiplied by a factor of 1.15) per m<sup>2</sup> of gross floor area in ongoing production ((tCO<sub>2</sub>e * 1.15) / GFA in m<sup>2</sup>).</p> <p>*Excluding: i) end of life, energy and maintenance of sold properties, and ii) scope 3 emissions related to individual projects with a value of less than SEK 100m.</p>

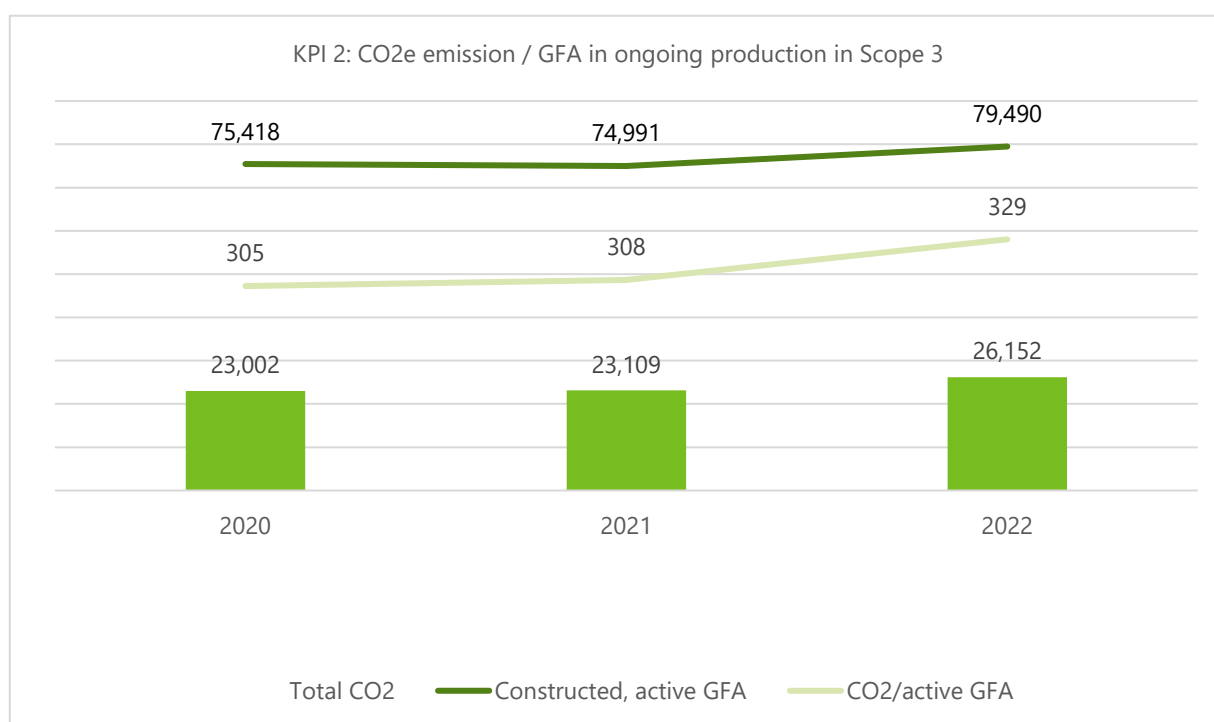
To allow Zengun to continue to grow its business, and not have SPT 1 limiting its abilities, SPT 1 is aligned towards number of FTEs.

Scope 3 emissions in KPI 2 will include all projects, except those below SEK 100 million. Projects below SEK 100 million are excluded because they account for a minor portion of the total Scope 3 emissions (estimated not to exceed 10% of total scope 3 emissions) and are a large number of very small projects. However, to ensure that the Company accounts for all its emissions and do not undercalculate, Zengun has included an add-back of 15% of the Scope 3 emissions.

### 3.1.1 Historical development

**Figure 4. Historical development of KPI 1**

**Figure 5. Historical development of KPI 2<sup>2</sup>**



### 3.2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS

Zengun has committed to two SPTs with focus on reduction of CO<sub>2</sub>e emissions. In SPT 1, Zengun is targeting a reduction of CO<sub>2</sub>e emissions in Scope 1 and 2 in relation to number of FTEs (as defined under Selection of Key Performance Indicators) of a total of 15% by the end of year 2027. In SPT 2, Zengun is targeting a reduction of CO<sub>2</sub>e emissions in Scope 3 in relation to number of GFA in ongoing production (as defined under Selection of Key Performance Indicators) of a total of 10% by the end of year 2027. Both SPTs have 2022 as base line year.

**Figure 6. Sustainability Performance Targets**

Sustainability Performance Targets	Definition
<b>SPT 1:</b>	By the end of year 2027, Zengun targets to reduce its Scope 1 & 2 carbon emissions per FTEs (as defined under Selection of Key Performance Indicators) by a total of 15% against the base line year 2022, meaning an annual reduction of 3%.
<b>SPT 2:</b>	By the end of year 2027, Zengun targets to reduce its Scope 3 carbon emissions per GFA in ongoing production (as further defined under Selection of Key Performance Indicators) by 10% against the base line year 2022, meaning an annual reduction of 2%.

<sup>2</sup> Excluding end of life, energy and maintenance of sold properties

**Figure 7. SPT trajectory (cumulative reduction)**

	2022	2023	2024	2025	2026	2027
<b>SPT 1:</b>	0%	3%	6%	9%	12%	15%
<b>SPT 2:</b>	0%	2%	4%	6%	8%	10%

### 3.2.1 Strategy and risks to achieve SPT 1

KPI 1 and STP 1 refers to Zengun's direct impact on the Company's carbon footprint, which includes, for example, Zengun's company cars, and energy consumption in its offices and construction sites.

Examples of measures:

- Zengun will phase out all fuel-powered company cars.
- Zengun plans to eventually move to a smaller location for one of its two local offices.
- Zengun offers public transportation cards to all employees to encourage environmentally friendly transportation and discourage the usage of single-person vehicle transportation for work purposes.
- Where possible, Zengun switches to environmentally certified electricity and heating providers for the temporary site offices. Zengun continuously works to improve the efficiency of electricity and heating needs in the production.

Risks to achieve SPT 1 could be that the need for transportation by car should increase, e.g., in case of greater geographical spread of Zengun's projects. Furthermore, that the Company has difficulty influencing the type of energy in the temporary and permanent offices, since Zengun does not own the properties.

### 3.2.2 Strategy and risks to achieve SPT 2

KPI 2 and STP 2 refers to the indirect impact on the Company's carbon footprint, which includes, for example, the life cycle impact of the properties Zengun constructs for its clients, and the impact Zengun generates during the construction phase. Additionally, business travel is included in this category.

Examples of measures:

- Zengun's business travel policy encourages the use of environmentally friendly modes of transportation, such as alternatives to flying. Additionally, the Company will continue to provide public transportation cards to all employees.
- Zengun continuously work towards replacing fuel-powered machinery with either electric-powered or environmentally classified fuel-driven machinery.
- Zengun constantly strive to improve the waste management procedures.
- Zengun aims to reduce/optimize transportation in all projects through planning, consolidation, and local partnerships.
- The largest component in KPI 2 comes from the life cycle impact of the properties Zengun construct for its clients. Zengun can influence this component by informing and guiding its clients on sustainable material choices and production methods. When involved in the early stages, Zengun has a greater opportunity to influence design and reduce carbon-intensive components, such as facades and structures. Another strategy would be to extend the collaboration with clients who focus more on renovation rather than new construction.

A risk to not achieve SPT 2 is if the rest of the construction industry does not implement necessary changes in line with a carbon emission reduction agenda, since SPT 2 is dependent on other actors' decision making.

### 3.3 BOND CHARACTERISTICS

Unless otherwise stated, the proceeds of any SLB issued under this Framework will be used for refinancing of existing debt and general corporate purposes. Nonachievement of the SPTs, as defined in this Framework, will result in meaningful financial implications for the Issuer, including a step-up in the redemption premium. The exact mechanism and impacts of the achievement or failure to reach the SPTs will be detailed in the relevant legal documentation, including Terms and Conditions for the relevant SLB. The KPIs and SPTs set out in this framework will remain relevant and applicable throughout the tenor of any security issued under the Framework, regardless of any changes to the Group's sustainability strategy.

### 3.4 REPORTING

On an annual basis, Zengun will publish relevant information regarding the development of the KPIs and SPTs on its website. The information will be published in the Annual & Sustainability Report which will include relevant information on the progress of the KPIs and SPTs, enabling investors to monitor the level of ambition of the SPTs. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2023.

### 3.5 VERIFICATION

Zengun has obtained a Second Party Opinion from Sustainalytics which, has confirmed its alignment with the Sustainability-Linked Bond Principles 2023<sup>3</sup>. Further, Zengun commits to have an external verifier provide limited assurance against each SPT for each KPI and publish it annually. The external verification will be conducted by the sustainability consultant firm 2050 ("2050"), or a similar reputable firm. 2050 has been advising the Company in developing its sustainability strategy historically. The Second Party Opinion, Annual & Sustainability Report and this Framework will be made publicly available on Zengun's website.



---

<sup>3</sup> The Sustainability-Linked Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbpr/>