

# Sector Guidelines: Property

## Scope and purpose

The overall objective of these sector guidelines is to promote sustainability performance in our business relations with corporate clients, portfolio companies and suppliers in all jurisdictions where Swedbank Group operates. The sector guideline is applicable to all companies within the sector and in all stages of the value chain.

## Sustainability impact

The property sector is an industry that comprises a wide range of activities involving construction, alteration, and/or repair of buildings, structures, and other real estate property and that manages leases and owns premises.

The Economic, Social and Governance (ESG) risks and impacts of the sector relate to health and safety at work, working conditions, especially for migrant and seasonal workers, climate change, choice of material, waste, supply chain, ethics and corruption, and potentially contaminated soil and groundwater.

Other issues during reconstruction or redevelopment include choice of material, recycling of materials and contaminated soil and groundwater. The choice of construction site can also have a potentially negative impact on the environment and/or communities such as land right issues as well as irreversible effects on landscapes, ecosystems and biodiversity. In the property sector the main environmental issue is energy use in buildings including heating and cooling.

## Expectations and recommendations

Swedbank expects clients, portfolio companies and suppliers to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits. We expect our business partners to manage material sustainability issues in a systematic manner within the field of human rights, labour rights, climate, environment and

business ethics. We also recommend that companies involved in the property sector:

- Identify material sustainability aspects and adopt relevant policies, objectives and targets;
- Have policy commitments that meet responsibilities with regard to human rights, labour rights, environmental protection, health & safety at work and anti-corruption;
- Have management systems or processes that can be monitored, that comply with labour norms and labour laws, occupational health and safety and that ensure equal treatment for migrant workers;
- Prevent discrimination and improve equal treatment of men and women;
- Have procedures for community and stakeholder engagement;
- Have management systems or processes that can be monitored and that comply with environmental laws;
- Have the commitment and procedures to assure respect for customary land tenure and use by indigenous people;
- Have procedures to follow up social and environmental issues with regard to the supply chain;
- Have procedures to reduce energy and water use in buildings;
- In waste management, implement the EU waste hierarchy - reduce, reuse, recycle and recovery;
- Assess the risk of potentially contaminated soil and groundwater due to historical and current operations. Check whether the environmental authorities have any requirements regarding investigations or remediation of soil and groundwater;
- When constructing or refurbishing, use environmentally sound materials and

- chemicals, and minimise waste and chemical usage;
- Have the commitment and procedures for conservation of biodiversity and protection of protected habitats;
- Measure and establish reduction objectives to contribute to limiting the maximum global temperature increase of 2°C, to minimise greenhouse gas emissions (GHG) and disclose figures and results in a transparent manner;
- Include sustainability into both the design phase and construction phase to minimise the climate effect during the usage phase;
- Have procedures for combating bribery and corruption, and for responsible tax payments;
- Report transparently on tax payments at group and country level in line with established global initiatives;
- Conduct due diligence on supplier management of environmental, social and business ethics issues and integrate sustainability criteria within procurement processes. Verify compliance with company standards on a regular basis;
- Report regularly on material sustainability issues in line with established reporting framework standards, such as GRI.

#### Relevant norms, guiding principles & standards

- ✓ The 10 principles of the United Nations Global Compact<sup>i</sup>
- ✓ UN Guiding principles on Business and Human Rights<sup>ii</sup>
- ✓ UNESCO World Heritage sites<sup>iii</sup>
- ✓ Wetlands covered by the Ramsar Convention<sup>iv</sup>
- ✓ Convention of International Trade of Endangered Species (CITES)<sup>v</sup>
- ✓ National parks and nature reserves
- ✓ High conservation value forests (HCVF), including those depended on by indigenous people<sup>vi</sup>

- ✓ Environmental certifications such as CEEQUAL, BREEAM<sup>vii</sup>, LEED<sup>viii</sup>, Miljöbyggnad<sup>ix</sup>
- ✓ The International Union for Conservation of Nature (IUCN)<sup>x</sup>
- ✓ IFC Environmental and Social Performance Standards and Guidance Notes<sup>xi</sup>
- ✓ ISO International standards<sup>xii</sup> such as ISO 14000<sup>xiii</sup>

#### **Implementation**

Sustainability risk assessment is an integral part of Swedbank Group's risk assessment within corporate lending, investment and procurement. Sector guidelines set the context for risk assessment. In order to comply with our sustainability framework Swedbank shall:

- Ensure understanding of existing and potential clients' and portfolio companies' activities and risks. This means that Swedbank may require relevant documentation such as certificates and policies in order to understand the sustainability governance and performance;
- Evaluate suppliers' sustainability performance and integrate sustainability requirements as a mandatory part of supplier agreements. This means that Swedbank may terminate supplier relationships in the event of non-compliance with our supplier code of conduct;
- Continuously educate relevant Swedbank staff on general and specific Corporate Sustainability trends, issues and opportunities;
- Monitor our portfolios to mitigate risks, including sustainability risks;
- Collaborate with third-party professional Corporate Sustainability experts and establish dialogue with counterparties on environmental and social matters;
- Report transparently on sustainability performance.

<sup>i</sup> The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

<https://www.unglobalcompact.org/about>

<sup>ii</sup> The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.

[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>iii</sup> The United Nations Educational, Scientific and Cultural Organization (UNESCO) seek to encourage the identification, protection and preservation of cultural and natural heritage. The UNESCO World Heritage List includes over 900 properties forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value, such as a forest, mountain, lake, desert, monument, building, complex, or city that is considered to be of outstanding importance to the common heritage of humanity.

<http://whc.unesco.org/en/list>

<sup>iv</sup> The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.

<https://www.ramsar.org/about/the-convention-on-wetlands-and-its-mission>

<sup>v</sup> CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.

<https://www.cites.org/>

<sup>vi</sup> High Conservation Value Forests (HCVF) are forests of outstanding and critical importance. This could be due to the presence of endangered wildlife, an unusually high number of rare plant species or areas that are in or contain rare, threatened or endangered ecosystems. It could also be because the forest is of critical importance to local people because it provides them with food, water, income or sites of cultural significance. It also includes forest areas that provide basic services of nature in critical situations (this includes: protection of watersheds, protection against erosion and destructive fire).

<https://fsc.org/en/for-forests/high-conservation-values>

<sup>vii</sup> BREEAM sets the standard for best practice in sustainable building design, construction and operation and has become one of the most comprehensive and widely recognised measures of a building's environmental performance.

<https://www.breeam.com/>

<sup>viii</sup> LEED, or Leadership in Energy & Environmental Design, is a green building certification programme that recognises best-in-class building strategies and practices.

<http://www.usgbc.org/leed>

<sup>ix</sup> Miljöbyggnad is a Swedish system for certifying buildings in relation to energy, indoor climate and materials. It is designed to protect human health and our environment.

<https://www.sgbc.se/certifiering/miljobyggnad/>

<sup>x</sup> IUCN, International Union for Conservation of Nature, helps the world find pragmatic solutions to our most pressing environment and development challenges.

<http://www.iucn.org/>

<sup>xi</sup> IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks.

[http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/our+approach/risks+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risks+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes)

<sup>xii</sup> A standard is a document that provides requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose. ISO International Standards ensure that products and services are safe, reliable and of good quality.

<http://www.iso.org/iso/home/standards.htm>

<sup>xiii</sup> The ISO 14000 family of standards provides practical tools for companies and organisations of all kinds looking to manage their environmental responsibilities.

<http://www.iso.org/iso/home/standards/management-standards/iso14000.htm>