°CICERO Shades of Green

Latour
Green Financing Second Opinion

May 25, 2022

Investment AB Latour ('Latour') is a Swedish investment company. Its portfolio is made up of wholly owned industrial operations (six different business areas with a turnover of SEK 18 billion in 2021) and listed holdings (ten companies with a market value of SEK 98 billion as of December 31, 2021). According to Latour, its main business concept is to invest in sustainable companies, and its sustainability investment criteria are 'deal-breakers'. Latour's exposure is primarily in Europe.

Latour has structured its framework in accordance with the proposed EU Green Bond Standard. Proceeds under the framework can be allocated to three project categories. The first two project categories relate to the production by Swegon, a wholly owned holding, of energy efficient ventilation, cooling and space heating products for buildings, and heat pumps. Investments in energy efficiency improvements in buildings are important in the 2050 vision, and Latour includes criteria to ensure the products' comparative energy efficiency. The third project category relates to the use of such ventilation, cooling and space heating products by its wholly owned holdings, and the production and use of renewable energy at their facilities. Renewable energy production and use is key in the transition. Latour expects the largest share of proceeds to go to the production of energy efficient ventilation, cooling, and space heating products, and it furthermore expects to allocate the majority of proceeds to existing projects and assets. We also understand from Latour that proceeds will be used to provide financing to its wholly owned holdings only (i.e. no proceeds to listed holdings).

CICERO Green assesses that the activities under the framework likely align with relevant EU Taxonomy mitigation criteria. Issues around circularity are taken seriously and Latour will undertake physical risk assessments for all new investments. The first physical risk assessment has been completed for Swegon's production facility, though it is still implementing the action points that arose from this. Latour also likely fulfills the EU Taxonomy's minimum social safeguards. Human rights considerations are, for example, included in its code of conduct and wholly owned holdings are required to implement the code in their own operations and supply chains.

Latour's commitment to sustainability is supported by targets for its wholly owned holdings, for example annual five percent decreases in energy consumption and direct (Scope 1 and 2) emissions in relation to net sales. Latour's selection process is sound, and the express consideration of life cycle aspects, potential rebound effects, and resilience to climate change in decision making constitutes a strength. Reporting procedures also seem strong and proposed impact metrics are material and relevant.

Based on the overall assessment of the eligibility criteria in this framework, governance and transparency considerations, this framework receives an overall **CICERO Medium Green** shading and a governance score of **Excellent.**

SHADES OF GREEN

Based on our review, we rate Latour's green financing framework **CICERO Medium Green.**

Included in the overall shading is an assessment of the governance structure of the green financing framework. CICERO Shades of Green finds the governance procedures in Latour's framework to be **Excellent.**

GREEN BOND AND LOAN PRINCIPLES

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

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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated May 2022. 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 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.

Expressing concerns with 'Shades of Green'

CICERO 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:

CICERO Shades of Green	Examples
Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.	Wind energy projects with a strong governance structure that integrates environmental concerns
Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.	Bridging technologies such as plug-in hybrid buses
Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.	Efficiency investments for fossil fuel technologies where clean alternatives are not available

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 financing are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green financing 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.

2 Brief description of Latour's green financing framework and related policies

Investment AB Latour ('Latour') is a Swedish investment company. Its operations are primarily carried out in two business lines. Firstly, wholly owned industrial operations, which consists of six different business areas with a turnover of SEK 18 billion in 2021. Examples include Bemsiq (a portfolio of companies within building automation and energy efficiency) and Nord-Lock Group (a provider of secure bolting solutions). Secondly, a portfolio of ten listed holdings with a market value of SEK 98 billion as of December 31, 2021. Examples include CTEK (a producer of battery charging solutions) and TOMRA (a sorting and recycling technology company).

The European Commission has proposed a regulation on European green bonds, generally referred to as the European Green Bond Standard (EU GBS).[1] The EU GBS is a voluntary standard that is open to any issuer of green bonds, and Latour has sought to structure its framework according to the proposed EU GBS, for example the inclusion of a European green bond factsheet. Given the current status of the EU GBS, CICERO Green is not acting as an external reviewer for the purposes of the EU GBS (which can only follow entry into force of the EU GBS).

Environmental Strategies and Policies

Latour states that its 'main business concept is to invest in sustainable companies with proprietary products, strong growth potential supported by global megatrends, and good future prospects'. Its investment criteria include that a company must be a 'sustainable business with high ethical standards' and that it must produce 'sustainable products with high added value'. These sustainability aspects are deal-breakers: no investment will occur if they are not satisfied. Latour takes a broad view of sustainability and informed us that its most fundamental consideration was whether the potential investment's products, activities, and sectors – rather than processes – were sustainable. It would not, therefore, invest in companies that are sustainably run but in a sector it deemed unsustainable. In evaluating a company's sustainability, Latour uses an in-house matrix to evaluate different sustainability elements.

Latour is represented on the board of all its holdings (whether wholly owned or a listed holding) and, according to Latour, uses its position to place high expectations on and to drive the holdings' sustainable development. For its wholly owned operations, Latour emphasizes its active ownership approach that drives sustainability. All wholly owned holdings have their own strategic processes and sustainability commitments, but Latour has overarching sustainability requirements that apply to them all. For example, Latour's code of conduct must form the basis of the holdings' sustainability commitments. In respect of the environment, the code of conduct, among other things, states that Latour strives to use energy and raw materials efficiently and to minimize waste and residues over a product's lifetime.

Latour has eight 'central key ratios' to measure sustainability and corresponding minimum requirements in its wholly owned holdings, while the holdings are also expected to set additional, relevant targets. Four of these 'ratios' relate directly to the environment:

- Energy consumption: target of annual relative decrease of at least five percent in relation to net sales.

[1] EUR-Lex - 52021PC0391 - EN - EUR-Lex (europa.eu)

- Energy mix: by 2030, all of Latour's operations should only purchase electricity that is renewable.[2]
- Direct (Scope 1 and 2) CO_2 emissions: target an annual relative reduction of at least five percent in relation to net sales.
- Environmentally certified facilities: by 2025, all production facilities must be environmentally certified according to ISO 14001.

The performance of the wholly owned holdings in 2021 in respect of these targets was as follows:

- Energy consumption: 6.9% decrease from 2020 to 2021 in relation to net sales.
- Energy mix: 76% share of renewable energy in Sweden, 12% share in other countries.
- CO_2 emissions: 8.4% decrease from 2020 to 2021 (24,688 tonnes CO_2 absolute emissions in 2021).
- Environmentally certified facilities: 25/66 production facilities ISO 14001 certified.

Latour states that it focuses on the environment throughout the value chain, from product development and purchasing to distribution and end-use. Several of its companies have conducted lifecycle assessments to calculate their products' total CO_2 emissions, and Latour provided examples of how this led to certain changes in procurement and sourcing in some holding companies. Latour does not currently measure or report Scope 3 emissions, though it notes that several of its listed holdings report on Scope 3 emissions. According to the framework, Latour aims to start disclosing Scope 3 emissions in the future, though no specific timeframe is given.

Latour has an environmental policy which sets out its approach to the environment. As well as setting out general aims in this respect – for example, to run operations with as little negative environmental impact as possible; to contribute positively to sustainable ecological development where it can – the policy also states that each of its holdings have an independent responsibility to pursue environmental issues and must have a structured approach to these.

Risk assessments, that extend to sustainability-related risks and opportunities, are carried out annually in the wholly owned holdings. In 2021, Latour focused on strengthening the wholly owned holdings' climate analysis, for example through several workshops on the issues and the involvement of external sustainability specialists. Given the need for its holdings to invest with the aim of accelerating the transition, Latour has established a sustainability fund from which they can apply for investment support. For its listed companies, the primary supervision of sustainability risks takes place at board meetings in which Latour participates, and an initial TCFD analysis has been carried out on the listed companies, to be further developed through the work of their respective boards.

Latour publishes includes its sustainability reporting in its annual report, and reports in accordance with the TCFD recommendations.

Use of proceeds

Proceeds under the framework will finance or refinance investments and expenditures related to the manufacturing of energy efficient products, energy efficiency investments, and construction and real estate activities (see table 2, below). Latour expects the largest share of proceeds to go to the manufacturing of energy efficient products, with smaller shares to energy efficiency investments and construction and real estate activities. While there is no geographic limitation on the geography of investments, Latour expects investments to mirror its current exposure

[2] Latour informed us that progress towards this target is currently primarily being achieved through the purchase of guarantees of origin, however it also encourages its companies to invest in renewable energy sources.

(mainly Europe, around 15% in North America, and around 6% in Asia Pacific). We understand from Latour that proceeds will be used to provide financing to its wholly owned holdings only (i.e. no proceeds to listed holdings).

OPEX incurred no longer than three years prior may also be (re)financed, and which relates to R&D, education and training, renovation, maintenance, and repair of assets under the framework. There is no lookback period for refinancing fixed assets and a three-year lookback for OPEX. The framework states that the majority of proceeds are expected to be allocated to existing projects and assets.

The framework states that investments must comply with i) the framework's eligibility criteria, ii) the exclusion criteria, iii) all the elements of the EU Taxonomy (substantial contribution to climate change mitigation criteria, the do no significant harm criteria, and the minimum social safeguards).

The framework excludes allocation of proceeds to activities that are not assessed as eligible according to the requirements of the EU Taxonomy or the proposed EU GBS. Furthermore, it excludes investments to fossil-based energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO 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 Green places on the governance process.

Latour has established a green bond council consisting of its CFO, CEO, and Head of Sustainability (meeting as needed and at least twice a year). The green bond council will evaluate and identify assets and activities' compliance with the framework and factsheet. This will include an evaluation of overall impact and risk, including life cycle considerations, potential rebound effects, resilience to climate change, and alignment with the EU Taxonomy and the EU GBS.

Decisions must be unanimous and will be documented. A list of assets to which proceeds have been allocated will be kept by Latour's treasury department. Should an asset or activity cease to fulfil the framework criteria, it will be removed from this list.

Management of proceeds

CICERO Green finds Latour's management of proceeds to be in accordance with the Green Bond Principles and Green Loan Principles.

Latour will track an amount equal to any green financing under the framework. Deductions will be made from the tracked amount, corresponding to allocations under the framework or on repayment of any green financing. If an asset no longer qualifies under the framework, or the underlying assets or activity is divested or lost, an amount equal to the fund allocated towards it will be re-credited to the tracked amount.

Latour intends to allocate proceeds as soon as possible, and typically within 30 business days. In the event of a pre-financing (financing an asset still under construction), Latour estimates the proceeds will be allocated within twelve months of receipt of the proceeds. Unallocated proceeds may be invested or utilized by the Latour's treasury in accordance with Latour's finance policy and investment criteria (e.g. invested in short-term interest-bearing

securities such as Swedish treasury bills or Swedish municipal notes) – such investments would adhere to the framework's exclusion criteria.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

Latour will publish an annual allocation and impact report, available three months after the end of the financial year and until such time that no financing under the framework is outstanding. The report will contain information about assets and activities financed under the framework, a summary of Latour's activities under the framework, as well as information of the assets' adherence to the framework criteria. The framework contains much detail about proposed reporting, though this may change due to regulatory requirements or updates to the framework or factsheet.

In respect of allocation, this will be reported at the activity level (unless confidentiality, competitive considerations, or a large number of qualifying projects limit the amount of detail that can be given, it which case reporting will be at on an aggregated basis). Allocation reporting will dislcose:

- The countries where proceeds have been allocated
- The sum of allocated proceeds to each asset or activity, the aggregated market value, and the sum of other external debt financing such as assets and activities (if applicable)
- Information about outstanding green financing under the framework and the green portfolio balance (including any short-term investments)
- The amounts and percentages of financing and refinancing.
- Specified type and sectors of projects, NACE codes (when applicable), the environmental objectives of the EU Taxonomy to which the assets substantially contribute, and an indication of the EU Taxonomy documentation used to determine the relevant technical screening criteria
- Compliance with the EU Taxonomy's minimum social safeguards
- The total allocation of net proceeds to each wholly owned subsidiary

In respect of impacts, Latour will report asset level performance indicators. In the event of non-operational assets, Latour will strive to provide estimates of future performance levels. The following are likely indicators:

Green category	**Example of impact indicators**
Manufacturing of energy efficient products	• Products sold are in the top two classes of energy efficiency according to the EU energy labelling scheme or similar energy efficiency schemes (number/year) • Total energy savings from delivered products/systems compared to legislated base level in user stage (MWh/year) • Total carbon emissions saved based on energy use from delivered products/systems compared to legislated base level in user stage (tCO2/year)
Energy efficiency	• Total energy savings from delivered products/systems compared to legislated base level in user stage (MWh/year) • Total carbon emissions saved based on energy use from delivered products/systems compared to legislated base level in user stage (tCO2/year) • Average GWP of heating/cooling products sold (based on refrigerant GWP)

	• No heating/cooling products sold exceeding 675 GWP (y/n) • Energy efficiency requirements laid down in the implementing regulations under Directive 2009/125/EC are met (y/n)
Construction and real estate activities	• Products sold are in the top two classes of energy efficiency according to the EU energy labelling scheme or similar energy efficiency schemes (number/year) • Renewable energy generation: annual production MWh • The number of charging stations for electric vehicles installed

Table 1: Likely impact indicators

Latour will specify the methodologies and main assumptions applied in calculating impacts. Latour states it will use the same emissions factor in its report as it uses in its sustainability reporting (i.e. from DEFRA's database and Carbon Footprint Ltd).

3 Assessment of Latour's green financing framework and policies

The framework and procedures for Latour's green finance investments are assessed and their strengths and weaknesses are discussed in this section. 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 in this section to note areas where Latour should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Latour's green financing framework, we rate the framework **CICERO Medium Green.**

Eligible projects under Latour's green financing framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds and financings aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
Manufacturing of energy efficient products	The financing or refinancing of the manufacturing and/or assembling of products enabling energy efficient ventilation, cooling and space heating of buildings. This includes the production sites, machinery and equipment used in the process of the manufacturing and assembling as well as warehousing where components and final products are stored. Products sold are in the top two classes of energy efficiency according to the EU energy labelling scheme or similar energy efficiency schemes.	**Medium Green** ✓ This project category receives a Medium Green on account of the importance of energy efficiency improvements in buildings in the 2050 vision and the necessary transition from fossil fuel heating sources. In commercial buildings, heating, cooling, and ventilation can be major sources of energy use. ✓ The overall energy saving potential of the products is unknown and may be used in buildings that remain inefficient in their energy use in other respects, or are otherwise exposed to climate risk. ✓ By committing to the top two classes of the EU energy labelling scheme, Latour is ensuring only products with high comparative efficiency are financed. Latour has explained that 'similar energy efficiency schemes' refers to Eurovent

		Certified Performance, and that the top two classes require at least the same energy efficiency performance as the top two classes in the EU energy labelling scheme. ✓ Latour has confirmed that the manufacturing/assembly of these sources is fossil free, except for the use of some fossil fuel trucks and forklifts. Proceeds could finance such equipment. The products can contain materials produced in energy intensive processes e.g. steel. ✓ Latour has confirmed that there are no additional climate/environmental criteria for warehouses or production sites to receive proceeds, e.g. in respect of energy performance, material emissions, or use of certification schemes. Note, however, Latour's target that by 2025, all production facilities must be environmentally certified according to ISO 14001.
Energy efficiency	The financing or refinancing of investment in products that generate energy efficient cooling and heating production for all climates through electric heat pumps.	**Medium Green** ✓ Latour informed us that proceeds will be used to finance air handling units containing heat pumps – these generally represent one of the most efficient ventilation systems. This is important given ventilation systems can be a large source of energy use in commercial buildings. Air handling units containing heat pumps can also reduce the need for other heating and cooling devices. ✓ To be 'energy efficient' under this project category, Latour requires the electric heat pumps to have Eurovent Certified Performance. It has confirmed that in any event this will entail refrigerant gases with GWP < 675, which is the limit value set in the EU F-gas regulation.
Construction and real estate activities	<u>Energy efficient equipment</u> The financing or refinancing of investment in products enabling energy efficient	**Medium to Dark Green** ✓ Latour has confirmed that any products for ventilation, cooling and space heating will be in

	ventilation, cooling and space heating of buildings. Charging stations for electric vehicles The financing or refinancing of investments in charging stations for electric vehicles. Renewable energy The financing or refinancing of investments in renewable energy production, such as on-site solar power installations.	the top two classes of the EU energy labelling scheme or Eurovent Certified Performance. These products represent Medium Green solutions (see also comments for the first project category above). ✓ Charging infrastructure is crucial for the adoption of electric vehicles, and therefore contributes to the transition to a low carbon transition. The benefits of electric vehicles depend on the electricity mix used in charging: charging infrastructure needs to be developed in parallel to greening the grid. Latour has confirmed that this can include charging infrastructure for hybrids. Note that hybrids are not part of the 2050 solution. ✓ Renewable energy is key to a low carbon transition. Latour has confirmed that in principle all renewable energy technologies in Activity 7.6 of the EU Taxonomy are eligible (e.g. micro combined heat and power plants, wind turbines), but that the most common technology will be solar. It is Latour's responsibility to consider the various environmental risks associated with renewable energy technologies. For example, the production of solar panels (and the sourcing of their raw materials) can have substantial climate and environmental impacts – this should factor into decision making.

Table 2. Eligible project categories

Background

According to the IEA, nearly one-third of total global final energy consumption comes from buildings and construction, accounting for about 15% of direct climate emissions.[3] Emissions from building operations have increased around 1% each year since 2010 due growth in construction despite increasing energy efficiency standards and growth in renewable energy, threatening this sector's pathway to net zero by 2050 and a 20% zero carbon ready building stock milestone in 2030.[4] To get back on track, energy consumed per square meter in 2030 must be 45% lower than in 2030.[5] In its Net Zero by 2050 report, the IEA recommends mitigation measures including energy efficiency, electrification, avoided demand, and bioenergy and other renewables deployment.[6]

[3] Buildings: A Source of Enormous Untapped Energy Efficiency Potential, IEA, https://www.iea.org/topics/buildings
[4] Ibid.; Tracking Buildings 2021, IEA, https://www.iea.org/reports/tracking-buildings-2021
[5] Tracking Buildings 2021, IEA, https://www.iea.org/reports/tracking-buildings-2021
[6] Net Zero by 2050: A Roadmap for the Global Energy Sector, IEA, https://www.iea.org/reports/net-zero-by-2050

The IEA's Net Zero by 2050 scenario furthermore requires the installed heat pump stock to reach 600 million by 2050 (in 2020, around 180 million heat pumps were used for heating).[7]

In regions where the electricity grid is highly based on low carbon sources such as in the Nordic countries and/or have in place ambitious policies to make the grid greener (such as in the EU), electric cars clearly represent environmental benefits compared to fossil fuel cars in the longer term. The charging infrastructure for electric cars needs to be developed in parallel to greening the grid.

EU Taxonomy

The EU Taxonomy, which entered into force in 2021, seeks to set out common classification systems to determine the environmental sustainability of activities. The EU-taxonomy regulation[8] defines six environmental objectives. To be considered environmentally sustainable, an activity must substantially contribute to one or more of the six objectives, not significantly harm any of the other six objectives (Do-No-Significant-Harm - DNSH) and comply with the technical screening criteria (TSC). In June 2021, EU published its delegated acts outlining the TSC for climate adaptation and mitigation objectives.[9] The DNSH-criteria are developed to make sure that progress against some objectives is not made at the expense of others and recognizes the relationships between different environmental objectives.

CICERO Green has assessed eligible projects in Latour's green financing framework against the mitigation thresholds and the DNSH criteria for relevant activities in the delegated act adopted in June 2021 (Annex 1).

Relevant EU-Taxonomy activities are:

- Manufacture of energy efficiency equipment for buildings
- Installation and operation of electric heat pumps
- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Installation, maintenance and repair of renewable energy technologies

Comments on alignment as well as thresholds and NACE-codes are given in Appendix 2.

CICERO Green assesses that all the project categories are likely aligned with the EU Taxonomy's substantial contribution to climate change mitigation criteria. Latour also appears to be likely aligned with the relevant DNSH criteria. In respect of climate change adaptation, Latour has undertaken a physical risk assessment of the relevant production facility of Swegon (its wholly owned holding that manufactures heat pumps) where initial investments under the framework are earmarked. It has confirmed that a similar assessment will be undertaken for all new investments – it is crucial that such assessments are bespoke and reflect the specifics of the investment. In respect of circular economy, Latour acknowledged that the use of LCAs and EPDs in the ventilation, heating and cooling sector were relatively new and driving considerations around circular economy – it is key that increased consideration of this topic materializes as concrete policies and approaches, where possible.

Alignment with minimum social safeguards

To qualify as a sustainable activity under the EU regulation certain minimum social safeguards must be complied with. CICERO Green has assessed Latour's social safeguards with a focus on human and labor rights. We take the sectoral, regional and judicial context into account and focus on the risks likely to be the most material social risks.

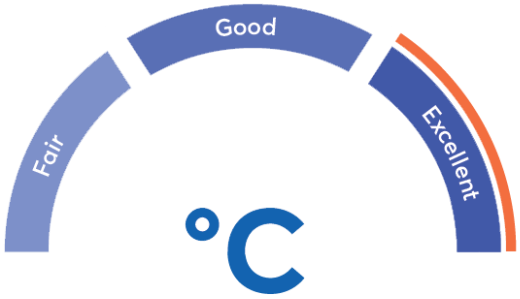
[7] https://www.iea.org/reports/heat-pumps
[8] EU-Taxonomy regulation (2020/852), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN
[9] taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

Based on information provided by Latour, CICERO Green considers that Latour appears to fulfil the minimum social safeguards of the EU Taxonomy. Human rights considerations are included in its code of conduct, which strongly condemns the use of child and forced labour and stresses the importance of a healthy and safe working environment. Latour requires its wholly owned holdings to implement the code of conduct in their own operations as well as in their supply chains, and to conduct screening of distributors and agents. Mapping of risks is undertaken by its wholly owned holdings, who are also responsible for management and reporting on progress to Latour.

Governance Assessment

Four aspects are studied when assessing Latour's governance procedures: 1) the policies and goals of relevance to the green financing framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: 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.

Latour demonstrates a seriousness about sustainability, with sustainability requirements a 'deal-breaker' for potential investments. Its commitment to sustainability is supported by material targets for its wholly owned holdings, for example annual five percent decreases in energy consumption and direct (Scope 1 and 2) emissions in relation to net sales. We welcome that Latour requires its wholly owned holdings annual risk assessments' to extend to sustainability-related risks and opportunities.



Latour's selection process is sound, and we particularly welcome the involvement of the Head of Sustainability, and the express consideration of life cycle considerations, potential rebound effects, and resilience to climate change in decision making. Reporting procedures also seem strong, and proposed impact metrics are material and relevant – given the project categories under the framework, transparency on metrics and calculations will be key.

The overall assessment of Latour's governance structure and processes gives it a rating of **Excellent.**

Strengths

It is a strength that the selection process expressly references life cycle considerations, potential rebound effects and resilience to climate change. Considerations of rebound effects are especially pertinent when investments seek to improve energy efficiency.

We understand the 'construction and real estate activities' project category relates to investment in wholly owned holdings' own facilities. As such, these investments should contribute to Latour making progress towards its own climate targets, specifically decreasing energy consumption and direct emissions, and increasing renewable energy use.

Weaknesses

We find no material weaknesses in Latour's framework.

Pitfalls

The framework allows for investments in various types of renewable energy sources. These come with different environmental risks and potential impacts, which must be weighed carefully in selection.

Latour has confirmed that investments in charging infrastructure for hybrid cars is possible. Hybrids are not part of the 2050 solution.

Appendix 1:
Referenced Documents List

Document Number	Document Name	Description
1	Green Financing Framework (May 2022)	
2	Environmental Policy (2021)	
3	Code of Conduct (2021)	
4	Annual Report (2021)	

Appendix 2: EU Taxonomy criteria and alignment

Complete details of the EU taxonomy criteria are given in taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf (europa.eu)

Manufacture of energy efficiency equipment for buildings

Framework activity	**Manufacturing of energy efficient products**		
Taxonomy activity	**Manufacture of energy efficiency equipment for buildings (NACE codes C16.23, C23.11, C23.20, C23.31, C23.32, C23.43, C.23.61, C25.11, C25.12, C25.21, C25.29, C25.93, C27.31, C27.32, C27.33, C27.40, C27.51, C28.11, C28.12, C28.13, C28.14)**		
	EU Technical mitigation criteria	**Comments on alignment**	**CICERO Green's comments on alignment**
Mitigation criteria	The economic activity manufactures one or more of the following products and their key components: (a) windows with U-value lower or equal to 1,0 W/m^2K; (b) doors with U-value lower or equal to 1,2 W/m^2K; (c) external wall systems with U-value lower or equal to 0,5 W/m^2K; (d) roofing systems with U-value lower or equal to 0,3 W/m^2K; (e) insulating products with a lambda value lower or equal to 0,06 W/mK; (f) household appliances falling into the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council and delegated acts adopted under that Regulation; (g) light sources rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation; (h) space heating and domestic hot water systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation;	Under the framework, proceeds can be used for the manufacturing and/or assembling of products enabling energy efficient ventilation, cooling and space heating of buildings. Per the framework, these in the top two classes of energy efficiency according to the EU energy labelling scheme or similar energy efficiency schemes. This accords with the letters (h) and (i) of the substantial contribution to climate change mitigation criteria, if the EU energy labelling scheme is used. Moreover, Latour has explained that 'similar energy efficiency schemes' refers to Eurovent Certified Performance, and that the top two classes require at least the same energy efficiency performance as the top two classes in the EU energy labelling scheme.	Likely aligned.

	(i) cooling and ventilation systems rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation; (j) presence and daylight controls for lighting systems; (k) heat pumps compliant with the technical screening criteria set out in Section 4.16 of this Annex; (l) façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation; (m) energy-efficient building automation and control systems for residential and nonresidential buildings; (n) zoned thermostats and devices for the smart monitoring of the main electricity loads or heat loads for buildings, and sensoring equipment; (o) products for heat metering and thermostatic controls for individual homes connected to district heating systems, for individual flats connected to central heating systems serving a whole building, and for central heating systems; (p) district heating exchangers and substations compliant with the district heating/cooling distribution activity set out in Section 4.15 of this Annex; (q) products for smart monitoring and regulating of heating system, and sensoring equipment.		
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	The physical climate risks that are material to the activity have been identified (chronic and acute, related to temperature, wind, water, and soil) by performing a robust climate risk and vulnerability assessment with the following steps: a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime; b) where the activity is assessed to be exposed to physical climate risks, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity; c) an assessment of adaptation solutions that can reduce the identified physical climate risk.	A physical risk assessment has been conducted of Swegon's Kvänum production facility (the first site that will be financed under the framework). This considered elements such as flooding, heat and soil stability, and using data from among others the Danish Hydrological Institute, the Swedish Geological Survey and country specific climate analyses. An action plan arising from the findings of the assessment is under development (no timeframe for completion has been given). Latour has confirmed that similar assessments will be undertaken as necessary on potential investments under the framework.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.

	The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that: (a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale; (b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models. For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly. For new activities and existing activities using newly built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at the time of design and construction and has implemented them before the start of operations. The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.		

Sustainable use and protection of water and marine resource	Environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed with the aim of achieving good water status and good ecological potential as defined in Article 2, points (22) and (23), of Regulation (EU) 2020/852, in accordance with Directive 2000/60/EC of the European Parliament and of the Council and a water use and protection management plan, developed thereunder for the potentially affected water body or bodies, in consultation with relevant stakeholders. Where an Environmental Impact Assessment is carried out in accordance with Directive 2011/92/EU of the European Parliament and of the Council and includes an assessment of the impact on water in accordance with Directive 2000/60/EC, no additional assessment of impact on water is required, provided the risks identified have been addressed.	Latour does not consider this applicable under the framework, given the assets do not risk water quality or use water in the manufacturing stage.	Likely aligned.
Transition to a circular economy	The activity assesses the availability of and, where feasible, adopts techniques that support: (a) reuse and use of secondary raw materials and reused components in products manufactured; (b) design for high durability, recyclability, easy disassembly and adaptability of products manufactured; (c) waste management that prioritises recycling over disposal, in the manufacturing process; (d) information on and traceability of substances of concern throughout the life cycle of the manufactured products.	**Information provided by the issuer** All products are possible to disassemble and are followed by instructions to comply with Eco-design definitions. Waste management is a defined KPI within Latour and Swegon. Reported in Swegon's sustainability reporting. All materials are described and defined in the "bill of materials" associated with every product. According to Latour, reuse is something that is increasingly considered. Not only does it work with customers in respect of how they can best consider these issues at the end of life, but it also wants to take a more active role e.g. repurchasing units and subsequently reselling them. It is also increasingly looking the use of recycled materials as an input, and its use of LCAs is driving this. It notes the use of LCAs and EPDs are new in the sector, so the adoption of relevant techniques will continue to develop.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.
Pollution prevention and control	The activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant;	**Information provided by the issuer** The activities are mainly assembling manufacturing with no or very limited emissions to the surroundings. The assessment is that no pollution is to be found in the daily activity described by the taxonomy except for Regulation (EC) No 1005/2009 and Directive 2011/65/EU.	Likely aligned.

	(b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society.	The manufacturing components include refrigerants and electronic components, but neither of them are produced in the described manufacturing. In the case of use of substances that might be able to contribute to pollution, when failure in use, the substance is connected to a risk management plan including handling, transport, storage, emergency actions. Waste handling of refrigerant, electronics and other potentially harmful objects are handled in accordance with legislation and should not contribute to any pollution.	
Protection and restoration of biodiversity and ecosystems	• An Environmental Impact Assessment (EIA) or screening has been completed in accordance with Directive 2011/92/EU, or in accordance with national provisions. • Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. • For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate assessment, where applicable, has been conducted and based on its conclusions the necessary mitigation measures are implemented.	**Information provided by the issuer** General planning is the responsibility of the local municipality and EIAs will be carried out regularly on municipality level, and any requirements or outcomes of the EIAs must be followed as a matter of law.	Likely aligned.

Installation and operation of electric heat pumps

Framework activity	Energy Efficiency		
Taxonomy activity	**Installation and operation of electric heat pumps (NACE codes D35.30 and F43.22)**		
	EU Technical mitigation criteria	**Comments on alignment**	**CICERO Green's comments on alignment**
Mitigation criteria	The installation and operation of electric heat pumps complies with both of the following criteria: (a) refrigerant threshold: Global Warming Potential does not exceed 675; (b) energy efficiency requirements laid down in the implementing regulations under Directive 2009/125/EC are met.	The framework covers investments in products that generate energy efficient cooling and heating production for all climates through electric heat pumps. Latour has stated that 'energy efficient' requires the electric heat pumps to have Eurovent Certified Performance. It has confirmed that in any event this will entail GWP < 675 and compliance with the implementation regulations of Directive 2009/125/EC where applicable.	Likely aligned.
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	See 'Manufacture of energy efficiency equipment for buildings' above.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.
Sustainable use and protection of water and marine resource	See 'Manufacture of energy efficiency equipment for buildings' above.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned.
Transition to a circular economy	The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. A waste management plan is in place and ensures maximal reuse, remanufacturing or recycling at end of life, including through contractual agreements with waste management partners, reflection in financial projections or official project documentation.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned, however it is key that assessments around issues such as the use of recycled materials translate into the adoption of tangible policies and approaches.

Pollution prevention and control	For air to air heat pumps with rated capacity of 12kW or below, indoor and outdoor sound power levels are below the threshold set out in Commission Regulation (EU) No 206/2012.	**Information provided by the issuer** N/A – air to air products are not produced.	N/A
Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A

Installation, maintenance and repair of energy efficiency equipment

Framework activity	**Construction and real estate activities**		
Taxonomy activity	**Installation, maintenance and repair of energy efficiency equipment (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22, C33.12)**		
	EU Technical mitigation criteria	**Comments on alignment**	**CICERO Green's comments on alignment**
Mitigation criteria	The activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation: (a) addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); (b) replacement of existing windows with new energy efficient windows; (c) replacement of existing external doors with new energy efficient doors; (d) installation and replacement of energy efficient light sources;	Under the framework, proceeds can be used for investments in products enabling energy efficient ventilation, cooling and space heating of buildings. Latour has confirmed that any products for ventilation, cooling and space heating will be in the top two classes of the EU energy labelling scheme or Eurovent Certified Performance.	Likely aligned.

	(e) installation, replacement, maintenance and repair of heating, ventilation and air conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; (f) installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E to this Annex and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.		
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	See 'Manufacture of energy efficiency equipment for buildings' above.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.
Sustainable use and protection of water and marine resource	N/A	N/A	
Transition to a circular economy	N/A	N/A	
Pollution prevention and control	The activity does not lead to the manufacture, placing on the market or use of: (a) substances, whether on their own, in mixtures or in articles, listed in Annexes I or II to Regulation (EU) 2019/1021 of the European Parliament and of the Council, except in the case of substances present as an unintentional trace contaminant; (b) mercury and mercury compounds, their mixtures and mercury-added products as defined in Article 2 of Regulation (EU) 2017/852 of the European Parliament and of the Council; (c) substances, whether on their own, in mixture or in articles, listed in Annexes I or II to Regulation (EC) No 1005/2009 of the European Parliament and of the Council; (d) substances, whether on their own, in mixtures or in an articles, listed in Annex II to Directive 2011/65/EU of the European Parliament	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	

	and of the Council, except where there is full compliance with Article 4(1) of that Directive; (e) substances, whether on their own, in mixtures or in an article, listed in Annex XVII to Regulation (EC) 1907/2006 of the European Parliament and of the Council, except where there is full compliance with the conditions specified in that Annex; (f) substances, whether on their own, in mixtures or in an article, meeting the criteria laid down in Article 57 of Regulation (EC) 1907/2006 and identified in accordance with Article 59(1) of that Regulation, except where their use has been proven to be essential for the society; (g) other substances, whether on their own, in mixtures or in an article, that meet the criteria laid down in Article 57 of Regulation (EC) 1907/2006, except where their use has been proven to be essential for the society. In case of addition of thermal insulation to an existing building envelope, a building survey is carried out in accordance with national law by a competent specialist with training in asbestos surveying. Any stripping of lagging that contains or is likely to contain asbestos, breaking or mechanical drilling or screwing or removal of insulation board, tiles and other asbestos containing materials is carried out by appropriately trained personnel, with health monitoring before, during and after the works, in accordance with national law.		
Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A

Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

Framework activity	**Construction and real estate activities**		
Taxonomy activity	**Installation, maintenance and repair charging stations for electric vehicles in buildings (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28)**		
	EU Technical mitigation criteria	**Comments on alignment**	**CICERO Green's comments on alignment**
Mitigation criteria	Installation, maintenance and repair of charging stations for electric vehicles.	Under the framework, proceeds can be used for investments in charging stations for electric vehicles.	Likely aligned.
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	See 'Manufacture of energy efficiency equipment for buildings' above.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.
Sustainable use and protection of water and marine resource	N/A	N/A	N/A
Transition to a circular economy	N/A	N/A	
Pollution prevention and control	N/A	N/A	N/A
Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A

Installation, maintenance and repair of renewable energy technologies

Framework activity	**Construction and real estate activities**		
Taxonomy activity	**Installation, maintenance and repair of renewable energy technologies (NACE codes F42, F43, M71, C16, C17, C22, C23, C25, C27 or C28)**		
	EU Technical mitigation criteria	**Comments on alignment**	**CICERO Green's comments on alignment**
Mitigation criteria	The activity consists in one of the following individual measures, if installed on-site as technical building systems: (a) installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment; (b) installation, maintenance and repair of solar hot water panels and the ancillary technical equipment; (c) installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment; (d) installation, maintenance and repair of wind turbines and the ancillary technical equipment; (e) installation, maintenance and repair of solar transpired collectors and the ancillary technical equipment; (f) installation, maintenance and repair of thermal or electric energy storage units and the ancillary technical equipment; (g) installation, maintenance and repair of high efficiency micro CHP (combined heat and power) plant; (h) installation, maintenance and repair of heat exchanger/recovery systems.	Latour has confirmed that in principle all renewable energy technologies in Activity 7.6 of the EU Taxonomy are eligible under the framework, but that the most common technology will be solar.	Likely aligned.
	EU Taxonomy DNSH-criteria	**Comments on alignment**	**Alignment**
Climate change adaptation	See 'Manufacture of energy efficiency equipment for buildings' above.	**Information provided by the issuer** See 'Manufacture of energy efficiency equipment for buildings' above.	Likely aligned, however it crucial that future assessments consider the specifics of each investment while continuing to use a range of relevant data sources.

Sustainable use and protection of water and marine resource	N/A	N/A	N/A
Transition to a circular economy	N/A	N/A	
Pollution prevention and control	N/A	N/A	N/A
Protection and restoration of biodiversity and ecosystems	N/A	N/A	N/A

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Shades of
Green

Appendix 3:
About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO 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. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.