



ICA Gruppen AB

Green Financing Second Opinion

8th May 2023

Executive Summary

Headquartered in Stockholm, ICA Gruppen's core business consists of grocery retail with primary markets in Sweden and the Baltic countries. As of today, there are about 1,300 stores operated by independent ICA retailers and 300 stores owned and operated by Rimi Baltic in three Baltic countries, resulting in a 35% market share in Sweden and 13% market share in the Baltics. In addition, this business is complemented by its 390 pharmacies in Sweden which total 31% market share. The company is also a player in real estate and banking segment operations.

Over the three years following the first issuance, ICA expects to allocate 45% of net proceeds to green buildings, which would cover both new and existing buildings, along with 45% to the purchasing costs of certified eco-efficiency and circular economy adapted products. In addition, the framework includes clean transportation and renewable energy projects. ICA's strategy of reducing emissions and supporting sustainable food systems transcends across the value chain.

We rate the framework **CICERO Medium Green** and give it a governance score of **Excellent**. Based on the expected allocation of proceeds, the shading reflects that most proceeds go to project categories assigned a Medium Green or Dark Green shade. In the Medium Green green building project category, key aspects for existing buildings around energy use are addressed by the framework criteria and by the issuer's policies; while for new buildings robust criteria are combined with an emphasis on wooden construction and systematic efforts to reduce embodied emissions. The clean transportation and renewable energy categories support important initiatives for reducing ICA Gruppen's emissions. Meanwhile, the project category for eco-efficient and circular economy adapted products is assigned a Light Green shade. To improve, the issuer should develop some more specific impact measures for its private label certified products.

Strengths

ICA has strong policies relevant to the implementation of the framework, with robust climate targets. ICA's targets are specific and relatively ambitious, as to reach net zero in its own operations by 2030. Additionally, the company addresses the rest of its supply chain, with a goal to halve customer climate impact by 2030. To lower customers' climate impact, ICA Gruppen works both with engaging with its suppliers, with the aim that suppliers representing 70% of its upstream climate impact have adopted science-based climate targets by 2025, and with nudging consumers towards more climate smart consumption patterns overall. It is positive that ICA reports quarterly on the climate impact of the products sold in its stores.

SHADES OF GREEN



°CICERO
Medium Green

GOVERNANCE ASSESSMENT



GREEN BOND AND LOAN PRINCIPLES

Based on this review, this framework is found in alignment with the principles.



ICA's investments in renewable and clean transportation solutions is a notable strength to address the entity's significant sources of emissions. We view positively ICA Gruppen's commitments to replace fossil fuel dependent vehicles for both light and heavy-duty vehicles with vehicles solely powered by electricity, biogas, or green hydrogen under this project category. Nevertheless, ICA's retail stores typically favour private modes of transportation for its customers. To mitigate this, when establishing new stores, ICA Real Estate always assesses the available modes of transport for its customers, including public transport. We note that access and attractiveness of cleaner modes of transportation, including public transport, depends on factors outside of ICA's control. We view electrification of transport and renewable alternatives as an essential part of the entity's net zero strategy.

ICA Real Estate has strong policies to reduce embodied emissions associated with new construction and to reduce energy use in its existing buildings. Combined with the specific framework criteria, which for new construction combine an improvement compared to national regulations and a green building certification, these policies should contribute to reducing the greenhouse gas emissions associated with ICA's real estate activities.

Weaknesses

We find the inclusion of all food products, including meat and dairy products, under the eco-efficiency and circular economy project category to be a weakness. The meat and dairy supply chain are associated with high greenhouse gas emissions, mainly from methane, as well as with other negative environmental impacts such as land use. Meanwhile, for such products with a large climate and ecological footprint, sustainability certifications may provide other environmental benefits, like local biodiversity. It should also be noted that the KRAV-certification, which is the label that the majority of purchasing costs in the current portfolio is linked to, includes criteria for energy efficiency and phase out of fossil fuels.

Pitfalls

A key potential pitfall of the framework is the broad scope of the "eco-efficient and/or circular economy adapted products" project category. The issuer sets sustainability requirements to all suppliers, and more advanced ones for suppliers under its private labels, but measuring, and mitigating the environmental impact in the supply chain, given its depth, is difficult. While certifications like ASC and KRAV are internationally recognized standards to ensure a minimum level of sustainability, they do not necessarily represent the highest environmental ambitions on all aspects. General challenges of certifications lie with overall enforceability and traceability of impacts, as well as with "leakage" issues, where the actual problem, for example deforestation, is simply shifted to a different uncertified producer. Reporting on the environmental impact of certified products is difficult and not standardized, and ICA plans to report only on the percentage of sales from certified products out of total sales of private label products. Another limitation of this project category is the financing of the entire cost of products, not just for the materials sourced, etc. The scope and generality of the specific project category therefore increases the lack of transparency and comparability in what these proceeds actually finance.

The grocery retail sector has a significant energy footprint, as cooling needs are high. It is thus positive that ICA has a target to reduce energy use by 20% by 2030, that it focuses on renewable sources on energy and is working on improving energy monitoring and management. Nevertheless, the energy use in stores is directly controlled by the retail store owners. It is therefore positive that ICA works together with its retail stores to reduce energy use, as ICA Real Estate suggests energy efficiency measures and supports the store owners in their implementation. In addition, the issuer has informed us that sustainability coaches from Corporate Responsibility department also inform store owners on how to reduce energy use.

Extreme weather events will continue to affect the operations and assets of ICA; its TCFD-reporting and climate risk screening can be strengthened. Specifically, with the identification and reporting of climate risk fully in line with TCFD recommendations, and an in-depth analysis to quantify the effect of risk factors and opportunities based on different climate scenarios. We note that work on these aspects is ongoing.



Contents

Executive Summary	1
<i>Strengths</i>	1
<i>Weaknesses</i>	2
<i>Pitfalls</i>	2
1 ICA Gruppen's environmental management and green finance framework	4
Company description	4
Governance assessment	4
Sector risk exposure	5
Environmental strategies and policies	5
Green finance framework	7
2 Assessment of ICA Gruppen's green finance framework	9
Shading of eligible projects under ICA Gruppen's green finance framework	9
3 Terms and methodology	15
'Shades of Green' methodology	15
Appendix 1: Referenced Documents List	17
Appendix 2: About CICERO Shades of Green	18



1 ICA Gruppen's environmental management and green finance framework

Company description

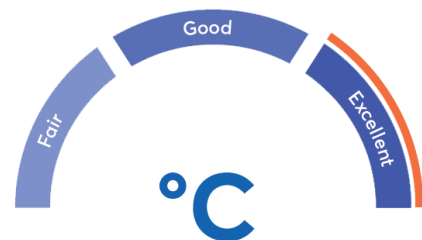
ICA Gruppen AB (publ), together with its subsidiaries, engages in the grocery retail business primarily in Sweden, the Baltic countries, and internationally. The company operates through ICA Sweden, Rimi Baltic, Apotek Hjärtat, ICA Real Estate, and ICA Bank segments. ICA Sweden conducts grocery retail business in cooperation with independent retailers. The retailers own and manage their stores whereas ICA Sweden acts as a wholesaler. It offers various organic products, private label products, and non-food products; and conducts pharmacy operations. The company operates approximately 1,600 grocery stores in Sweden, Estonia, Latvia, and Lithuania; and approximately 400 pharmacies in Sweden. In addition, it acquires, owns, develops, and manages property portfolio in the retail segment; and provides banking and insurance products and services to private and business customers. The company was founded in 1917 and is headquartered in Solna, Sweden. ICA Gruppen AB (publ) operates as a subsidiary of Ica-Handlarnas Förbund.

Governance assessment

ICA has well-established sustainability strategies and policies, with comprehensive targets for greenhouse gas reduction and engagement with suppliers on climate and environmental issues. Notably, the issuer has a target to halve the climate impact of the products it sells by 2030. Targets are science based, but not yet verified by the SBTi. The issuer's climate reporting is aligned with the GHG Protocol and partially follows the TCFD recommendations.

ICA has established a Green Finance Committee, consisting of members from the management, treasury, and sustainability functions, to evaluate and select projects that are in line with its green finance framework. Experts with environmental competence propose eligible projects while the final decision-making requires a consensus decision from the GFC. Selection criteria are mostly specific, but broad when it comes to the eco-efficient and circular economy category.

ICA Gruppen will report annually on the environmental impact on a project category basis and will use relevant performance indicators. For the eco-efficient and circular economy adapted products, the issuer has informed us that data on emissions avoided compared to non-certified products is inexistent, and therefore will only report on percentage of sales from certified products out of total sales of private label products. The issuer is committed to transparency on methodologies, baselines and assumptions used. ICA has also appointed an external auditor to annually assure that an amount equal to the net proceeds are allocated to green projects in accordance with the green finance framework.



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



Sector risk exposure

Physical climate risks. Increased extreme weather events pose risks to the retail industry directly in its brick-and-mortar retail locations as well as distribution facilities; and indirectly through its value chain, especially if the retailer derives a material portion of its revenue from grocery products. Although precise impacts of physical risks are uncertain, we believe exposure to storms, droughts, and other severe or erratic weather patterns will likely increase and may hinder a retailer's operations and disrupt its supply chain. Farmers and other agricultural stakeholder may be severely impacted which could result in higher costs or the need to change product types at point of sale for retailers.

In Sweden, the most severe physical climate impact will likely include flooding, urban overflow, as well as increased storms and extreme weather. The possibility of flooding in coastal areas is a physical risk that exists already in several parts of Sweden ([report from Riksbank](#)).

Transition risks. We believe the most direct transition risk relates to the physical store and distribution center operations, transportation and logistics, and product costs. Building standards, as well as regulations on refrigerant gases, are becoming increasingly stringent. Companies are upgrading cooling systems to be more energy efficient and climate friendly; we are also seeing shifts towards shelf stable products that would potentially slow the growth on incremental refrigeration demand. Transportation is another major component of the retail industry's GHG emission that is exposed to transition risk. Airfreight – although a relatively small portion of the industry's overall spend, it is an outsized contributor to GHG emission, and specifically targets fresh produce that cannot be frozen and transported via land or ocean transportation. Changing consumer preferences towards more environmentally friendly products also represent a transition risk.

Environmental risks. High polluting and energy intensive activities in the retail sector sits mostly with its suppliers or customers, as retailers operate as an intermediary. Manufacturing of the products, and the growing of plant or animal agricultural products sits within the suppliers of the sector. Waste, including plastics and food waste posts a high risk for the sector, for both retailers, consumers and suppliers, where reducing the amount of waste generated is key. We believe that consumers will continue to demand solutions to target lower waste and successful retailers would be those that can source products that solve the consumer needs for recycled, packaging-less, and more environmentally friendly products. The growth of e-commerce and demand for more home delivery has contributed not only to increased packaging waste but it can also lead to higher GHG emissions.

Environmental strategies and policies

ICA's sustainability strategy is focused on five key focus areas – the environment, health, inclusion and diversity, social responsibility, and quality. ICA Gruppen's main environmental impact comes from direct emissions associated with usage of energy in its stores, pharmacies, warehouses and offices, transportation, and refrigerants. Secondly, ICA Gruppen is exposed to the global food production supply chain risk. Production of food raw materials is associated with high greenhouse gas emissions, high water consumption, risk of biodiversity loss and social challenges arising from climate change.



The main source of emissions is Scope 3 transportation, with goods transport accounting for just over 60% of the group's greenhouse gas emissions in 2022. This includes mostly leased transport, except for ICA Sweden's e-commerce transports and a smaller number of owned lorries. Other main sources of emissions are refrigerant gases (14%) and energy use. In 2022, emissions amounted to 94,593 tonnes CO₂e, a 20% increase on 2021 due to goods transport in Sweden (lower share of renewable fuels), business travel and refrigerant leakage in the Baltics, while energy related emissions continued to decrease.

ICA Gruppen has a goal to reach net zero by 2030. Its sustainability strategy has specific goals such as all goods transport on road within ICA's companies to be fossil-free by 2030, to reduce overall energy use by 20% by 2030 (Baseline 2020) and having all energy used be from renewable sources by 2030. In order to reduce transport emissions, ICA focuses on electrified transport and biogas, and environmental impact is considered when selecting transport service providers. Additionally, to address the company's scope 3 emissions, ICA Gruppen has goals to cut food waste by 50% from warehouses and stores by 2025 (Baseline 2016) and halve the climate impact from customers' purchases of food by 2030 (Baseline 2020, target in tonnes CO₂e/kg food). To manage its supply chain risk and reduce customer impact, ICA Gruppen will promote(nudge) customers into more climate-friendly food choices and mandate that suppliers representing 70% of its upstream climate impact are to have adopted science-based climate targets by 2025. The issuer reports on progress towards its net zero target, the customer purchases and food waste targets quarterly and yearly, while reporting on the supplier target takes place yearly.

Within its Real Estate Business, the company's all new buildings are already certified to Miljöbyggnad or BREEAM standards and concurrently, certification of its existing buildings is being carried out in accordance with an established external sustainability standard. ICA Real Estate reports separately on sustainability from the group, and has its own sustainability strategy, targeting, among others, to reduce waste from construction, facilitate recycling, reduce energy use as well as reduce emissions associated with building materials. In 2022, ICA Real Estate started to quantify the emissions associated with its new construction, from 6 projects built in 2021 and 2022.

ICA Gruppen has adopted various initiatives to achieve its targets such as transitioning to renewable energy (solar and biogas) from fossil fuel and energy efficiency improvements, ICA Växa (innovation towards developing plant-based food), collaboration on a sustainable supply chain for food, activities to prevent food waste, as well as optimisation of routes and increased use of rail freight. ICA sets sustainability requirements to all suppliers of products to the group, which include sector and product specific provisions relating among other to climate responsibility, energy use and reducing deforestation.

In 2022, the issuer completed a comprehensive survey to identify the main climate risks to its business, including physical climate risks, with a focus on its supply chain. ICA Gruppen reports on these in its annual report. Also, climate risk analysis is performed in connection to the construction and acquisition of properties, as part of the risk analysis in project planning and the council requirements connected to construction permits. Work is ongoing to investigate how climate risk analysis can be implemented as part of the ongoing operations of ICA Real Estate. ICA Real Estate is in the tendering phase for a full climate risk analysis of its real estate portfolio. Following this analysis, ICA's exposure to climate risks will be analysed further.

ICA Gruppen, a signatory of the UN Global Compact, conducted a materiality analysis that utilized UN Sustainable Development Goals, Ten Principles of the UN Global Compact to inform its internal sustainability policy and guidelines that are revised each year.



Green finance framework

Based on this review, this framework is found to be in line with the Green Bond Principles and the Green Loan Principles. For details on the issuer's framework, please refer to the green bond framework dated April 2023.

Use of proceeds

For a description of the framework's use of proceeds criteria, and an assessment of the categories' environmental impacts and risks, please refer to section 2.

Selection

ICA has established a Green Finance Committee (GFC) to evaluate and select projects that are in line with its green finance framework. The GFC consists of the Chief Corporate Sustainability Officer, Chief Financial Officer, Head of Treasury and Tax and when needed, other relevant business areas. In addition to the eligibility criteria of the green finance framework, green projects are subject to the same sustainability requirements, due diligence, and policies as all ICA's undertakings and decisions. According to the issuer, a lifecycle perspective is applied when assessing the climate impact of the products sold as well as in initiatives to developing better packaging with less plastic. All suppliers of products and services need to align with its business ethics, environment and social compliance, no specific screening is performed in relation to the green finance framework.

A decision to allocate proceeds will require a consensus decision by the GFC, giving each committee member veto power. Eligible green projects will be tracked using a dedicated Green Register. The selection process is as follows:

- Sustainability experts within ICA Gruppen evaluates potential green projects in compliance with the Green Finance framework
- A sustainability expert nominates investments as potential green projects
- ICA Gruppen's GFC reviews and verifies the eligibility of the potential green projects

Management of proceeds

Green debt proceeds are tracked by the issuer. ICA Gruppen will manage their green debt using a portfolio approach. They will use a Green Register to track the allocation of net proceeds to the eligible green projects. The Green Register ensures that net proceeds of green projects are directed only to support the financing of green projects.

Unallocated net proceeds may temporarily be placed in the liquidity reserve managed by ICA Gruppen Treasury. During temporary holding periods, funds will not be placed in entities with a business plan focused on fossil fuel generation, research and or development within weapons, defence, environmentally negative resource extraction, gambling or tobacco. Such temporary placements will be limited to assets allowed by ICA's financial policy, such as bank and government deposits or certificates.

Reporting

ICA Gruppen will annually publish a report that describes the allocation of proceeds and the environmental impact of the selected green projects. The Green Finance Committee is responsible for the reporting.

Allocation reporting will for example include a summary of green debt developments, information on outstanding amount of green debt issues, the balance of green projects in the green register, the proportion of green debt net proceeds used to finance or refinance green projects, and the total aggregated proportion of green debt net proceeds used per green project category. An independent external party will provide a review confirming that an amount equal to the net proceeds has been allocated to green projects.



ICA will provide reporting on the expected or actual environmental impacts of the eligible project portfolio in line with the Green Bond Principles. The impact reporting will be based on a list of Key Impact Indicators provided in the framework for each project category (see below). Additionally, the company will report the methodology, baselines and assumptions used in impact reporting.

Project category	Impact indicator
Green & energy efficient buildings	<p>New buildings & existing buildings</p> <ul style="list-style-type: none"> • Annual energy use avoided compared to applicable national building code (kWh/m²) • Annual GHG emissions avoided (tonnes of CO₂e emissions) <p>Major renovations</p> <ul style="list-style-type: none"> • Energy use reduction compared to pre-investment situation (kWh/m² or in percentage terms) • GHG emissions avoided as a result of the renovation (tonnes of CO₂e emissions) <p>Installation, maintenance & repair</p> <ul style="list-style-type: none"> • Annual energy savings (MWh) • Annual GHG emissions avoided (tonnes of CO₂e emissions)
Renewable energy	<ul style="list-style-type: none"> • Installed renewable energy capacity (kW) • Annual renewable energy generation (MWh) • Annual GHG emissions reduced/avoided (tonnes of CO₂e emissions)
Clean transportation	<ul style="list-style-type: none"> • Number of vehicles financed • Number of charging points installed • Avoided GHG emissions from goods transport services (tonnes of CO₂e emissions)
Eco-efficient and/or circular economy adapted products	<ul style="list-style-type: none"> • % of sales from certified products out of total sales of private label products

The green finance framework, the second party opinion, and the post-issuance and reporting will be publicly available on ICA Gruppen's website.



2 Assessment of ICA Gruppen’s green finance framework

The eligible projects under ICA Gruppen's green finance framework are shaded based on their environmental impacts and risks, based on the “Shades of Green” methodology.

Shading of eligible projects under ICA Gruppen’s green finance framework

- The net proceeds from the green debt will be used to finance or refinance, in whole or in part, investments related to capital and operating expenditures in accordance with the green project categories: green buildings; renewable energy; clean transportation; and eco-efficient and/or circular economy adapted products.
- The issuer expects an equal split between re-financing and new financing. It estimates that over the next three years, 45% will go to green buildings, 45% to eco-efficient and/or circular economy adapted products, and 5% to each of the remaining project categories (clean transportation and renewable energy).
- Operating expenditures have a maximum look-back period of three years prior to issuance. Purchasing costs for products under the “eco-efficient and/or circular economy adapted products” category is considered as an annual cost, and a look-back period of one year will be applied on a rolling basis for this category.
- Net proceeds will not be allocated to projects involving the production of fossil fuel, weapons and defense, potentially environmentally harmful resource extraction, gambling, or tobacco.

Category	Eligible project types	Green Shading and considerations
Green buildings ¹	<p>New Buildings</p> <ul style="list-style-type: none"> • Buildings that have, or are designed to achieve, a certification in accordance with at least Miljöbyggnad “Silver”, BREEAM “Excellent” or LEED “Gold”, combined with a primary energy demand at least 10% lower than the level required by the national building regulation <p>Existing Buildings</p>	<p>Medium Green</p> <ul style="list-style-type: none"> ✓ Within this category, the issuer expects that over the three years following the first issuance, the majority of proceeds will go towards existing buildings with an EPC A or within the top 15% of the national building stock (for the relevant building type), a third to new buildings, and the remainder to renovations and energy efficiency measures. Financed buildings will primarily be in Sweden. ✓ Buildings with direct fossil fuel heating will not be financed. ✓ The shading reflects that for existing buildings, key aspects on energy efficiency, energy management in operations, refrigerants and physical climate risk are dealt with, both in the framework criteria and supported by ICA Gruppen’s policies. For

¹ Will primarily include buildings in Sweden but may also include buildings from the other countries where ICA Gruppen operates.



- Buildings with an Energy Performance Certificate (EPC) of class A, or
- Buildings qualifying within the top 15% most energy efficient buildings within the national building stock², determined through a specialist study assessing the criterion and applicable thresholds in the relevant national context, or
- Buildings that have, or are intended to achieve, a design-stage or post-construction certification in any of the following building certification schemes at the defined threshold level or better: LEED “Gold”, BREEAM “Excellent”, Miljöbyggnad “Silver” or the Nordic Swan Ecolabel

Major renovations complying with one of the following criterion:

- The building renovation meets minimum energy performance requirements of the national building regulation for major renovations, or
- The building renovation leads to a reduction in energy use of at least 30% compared to the pre-investment situation

Direct energy efficiency measures

new buildings, robust policies to reduce embodied emissions are in place, including by building in wood, combined with improvements in energy performance compared to regulation, represent steps towards the 2050 low carbon construction without being fully there yet.

- ✓ In 2020, a strategic decision was made to, as far as possible, use timber frame when constructing new buildings. In all stand-alone buildings, which are around half of new buildings, wooden frames are used, while in other projects, wood is used whenever possible, including in renovations, in combination with more traditional materials like concrete. A number of lifecycle studies show that the use of wooden frames considerably reduces emissions compared to the use of concrete.
- ✓ ICA has recently put in place a roadmap to reduce the carbon footprint of new construction by 64% by 2030; where considerations on how to reduce embodied emissions are taken from the early stage of projects. Some of its newer buildings have embodied emissions that are 50% or more below the reference established for a standard building, while for others, more efforts are needed.
- ✓ In new buildings, heat pumps are prioritized, where ICA primarily uses waste heat from the refrigerators/cooling systems, supplemented with geothermal energy where possible. Electric boilers are used for peak energy and as backup.
- ✓ Climate risks are considered in the planning process municipality prior to any new construction or renovation, both in ICA Real Estate’s dialogue with the municipality, which has long term view on relevant physical climate risks for an area, as well as in ICA Real Estate’s own assessment. The issuer has also informed us that an assessment of climate risk is included in the BREEAM-SE certified buildings.
- ✓ According to ICA, some 17% of its buildings meet the top 15% threshold for the relevant building type.

² In Sweden, ICA Gruppen’s current method of assessing this criterion is based on a [study](#) published by Fastighetsägarna (via consultancy CIT energy management) which has interpreted what the Taxonomy’s 15% most energy efficient buildings-criterion means in the Swedish context in terms of thresholds on energy performance for different building categories. Fastighetsägarna is a trade organisation for real estate companies in Sweden and they intend to update the thresholds on an annual basis. In Q4 2022, the threshold for store and warehouse premises for groceries was 75 kWh/m²/year.



- The installation, maintenance and repair of energy efficiency equipment, instruments and devices such as energy efficient refrigeration display cases and cold rooms, lighting, heat pumps, energy controlling devices etc
- ✓ As energy use at grocery stores and warehouses are typically high, it is important that ICA has set a target to reduce energy use by 20% by 2030 and is working actively to reduce actual energy consumption, as the threshold set in Primary Energy Number for the top 15% most energy efficient buildings does not directly address this.
- ✓ New, improved energy monitoring and management systems are being implemented in all store buildings owned by ICA Real Estate. In the type of buildings owned by ICA (stores, warehouses, and logistics centres), strong procedures to monitor and reduce energy use in operations are crucial, as these buildings generally have a very high energy use. The ongoing programme running until 2025 to improve the energy monitoring and management in properties is therefore particularly important.
- ✓ In its storage properties, ICA has already made investments to switch to low GWP refrigerants, while in its stores this is the responsibility of the store owner. Cooling systems need to be carefully managed, as some refrigerant gases, which may leak, can have a very high GWP. The issuer has informed us that until now, adaptive measures related to existing buildings have been taken when needed, for example by strengthening roofs that are at risks of leakage in case of heavy rain or strengthening buildings to better manage large amount of snow. ICA Real Estate is in the tendering phase for a full climate risk analysis of its real estate portfolio. Following this analysis, ICA's exposure to climate risks will be analysed further.

Renewable Energy

- Installation and operation of on-site solar power and its related infrastructure **Dark Green**
 - ✓ Renewable energy is key in a low-carbon future.
 - ✓ Within this category, the issuer plans to install and manage solar panels and the associated infrastructure on its own site.
 - ✓ The issuer plans to maximize the use of renewable energy solutions including solar, wind, hydro and biopower at its stores, warehouses, and offices.





- ✓ Renewable energy projects entail lifecycle risks and impacts, for example emissions associated with the manufacturing of solar panels and the extraction of raw materials. These aspects should be managed carefully in the selection of suppliers.

Clean transportation



- Purchase/lease of passenger cars operated on electricity or biogas
- Purchase/lease of light- and heavy-duty vehicles powered by electricity hydrogen or biogas
- Expenditures related to the procurement of goods transport services using electric/biogas hydrogen vehicles
- Installation of charging points for electric vehicles

Medium to Dark Green

- ✓ Electrification has a crucial role to play in the low carbon future.
- ✓ Fully electric passenger cars and light-duty vehicles are preferable to those that directly use fossil-fuel or that are hybrid vehicles.
- ✓ For some types of vehicles, in particular heavy-duty vehicles, electric technologies are not yet available on a larger scale. For these types of vehicles biogas and hydrogen play an important role in reducing emissions from the transportation sector.
- ✓ Biogas is normally produced from organic waste, which is positive from a resource efficiency standpoint, but can also come from energy crops, which may have impacts on land use. The production and use of biogas entail some emissions that need to be managed.
- ✓ Hydrogen can act as a fuel alternative when electrification of certain vehicles is not practical. However, the process of creating the hydrogen is critical. The best case is “green hydrogen” which is created using 100% renewable energy. While the issuer intends to use green hydrogen, at present, hydrogen that is presently available is typically grey, hence not aligned with the 2050 future. Green hydrogen is seen as an important energy source in a 2050 future, uncertainty remains around the climatic and environmental impacts of hydrogen leakage³.
- ✓ Electric vehicle charging infrastructure may be used by both fully electric and hybrid vehicles, which run on both electricity and fossil fuel

³ E.g. [Hauglustaine et al \(2022\)](#)



Eco-efficient and/or circular economy adapted products



- Expenditures related to the purchase of products **Light Green** included in ICA Gruppen's private label products and certified according to the following sustainability certification schemes: KRAV, the EU organic logo, MSC, ASC, Rainforest Alliance, UTZ, FSC, PEFC, Bra Miljöval, Nordic Swan Ecolabel and GOTS, or certification schemes with equivalent environmental requirements.
 - ✓ The products financed in this project category should have environmental benefits compared to other products, but they do generally not represent significant steps towards a low carbon and climate resilient future. Other environmental benefits include contributions to biodiversity and ecosystem services, limiting local impacts on environment, avoiding resource waste, and reducing pollution to air, water, and soil.
 - ✓ Dietary changes towards a more plant-based diet are needed to transition to a low carbon economy. Meat and dairy products, which are associated with significant emissions, are not excluded in this project category.
 - ✓ The company uses KRAV (Swedish organic certification) and EU organic certification for organic products, where KRAV poses additional requirements on energy use and phasing out fossil fuels. The KRAV certification is expected to represent the largest share of financed purchasing costs. Organic farming has broad environmental benefits, such as a positive impact on local biodiversity and improving soil quality, their overall impact on greenhouse gas emissions remains uncertain.
 - ✓ General challenges with certifications lie with enforcement, traceability, and gaps in certification criteria. For example, ASC does not cover feed sourcing emissions well even though it is good on biodiversity and fish welfare.
 - ✓ ICA Gruppen's private label products make up around 27% of their retail store sales. For these private label products, ICA sets additional sustainability requirements compared to other products, which is positive. Among other, these include requirements for suppliers to only use RSPO certified palm oil and that any soy used as feed for animals used in products is RTRS or ProTerra certified.
 - ✓ Different certifications schemes have different strengths and weaknesses. Of the eligible certifications, the Rainforest Alliance, as well as the FSC/PEFC, more directly address greenhouse gas emissions. The



Rainforest Alliance seeks to reduce deforestation and support climate smart agriculture, while the FSC and PEFC schemes support sustainable forestry with climate benefits. Nevertheless, due to the complexity of the supply chain in the retail sector, risks of deforestation cannot be excluded.

- ✓ Purchasing of raw materials that are certified as sustainable contribute to improved environmental and labor standards relating to the respective products. The requirements for ICA Gruppen's high-risk raw materials include addressing the risks of deforestation and overfishing.
- ✓ Nordic Swan Ecolabel and Bra Miljöval follow guidelines to lower environmental impact of products and services through their lifetime.
- ✓ The FSC and PEFC are well recognized certifications for sustainable forestry, while the ASC and MSC ensure a minimum level of sustainability in fishing and aquaculture. The GOTS certification covers textiles, where 70% must come from organic cotton, and the certification limits the use of pesticides in farming and chemicals in processing and manufacturing.

Table 1. Eligible project categories









3 Terms and methodology

This note provides CICERO Shades of Green’s second opinion of the client’s framework dated April 2023. 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 Shades of 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.

‘Shades of Green’ methodology

CICERO Shades of 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:

Shading	Examples
 Dark Green is allocated to projects and solutions that correspond to the long-term vision of a low-carbon and climate resilient future.	 Solar power plants
 Medium Green is allocated to projects and solutions that represent significant steps towards the long-term vision but are not quite there yet.	 Energy efficient buildings
 Light Green is allocated to transition activities that do not lock in emissions. These projects reduce emissions or have other environmental benefits in the near term rather than representing low carbon and climate resilient long-term solutions.	 Hybrid road vehicles

The “Shades of Green” methodology considers the strengths, weaknesses and pitfalls of the project categories and their criteria. 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, including potential macro-level impacts of investment projects.

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



Assessment of alignment with Green Bond Principles

CICERO Shades of Green assesses alignment with the International Capital Markets' Association's (ICMA) Green Bond Principles. We review whether the framework is in line with the four core components of the GBP (use of proceeds, selection, management of proceeds and reporting). We assess whether project categories have clear environmental benefits with defined eligibility criteria. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed. The selection process is a key governance factor to consider in CICERO Shads of Green's assessment. CICERO Shades of 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 Shades of Green places on the selection process. CICERO Shades of Green assesses whether net proceeds or an equivalent amount are tracked by the issuer in an appropriate manner and provides transparency on the intended types of temporary placement for unallocated proceeds. Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs.



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Green Finance Framework	
2	Annual Report 2022	Includes Sustainability Report
3	Sustainability Policy	
4	Sustainability Guidelines	
5	Product Specific Requirements	
6	Sustainability Appendix for Products	



Appendix 2: About CICERO Shades of Green

CICERO Shades of Green, now a part of S&P Global, provides independent, research-based second party opinions (SPOs) of green financing frameworks as well as climate risk and impact reporting reviews of companies. At the heart of all our SPOs is the multi-award-winning Shades of Green methodology, which assigns shadings to investments and activities to reflect the extent to which they contribute to the transition to a low carbon and climate resilient future.

CICERO Shades of Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Shades of 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 Shades of Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.



- ★ **2021 Largest External Reviewer**, Climate Bonds Initiative Awards
- ★ **2020 External Assessment Provider Of The Year**, Environmental Finance Green Bond Awards
- ★ **2020 Largest External Review Provider In Number Of Deals**, Climate Bonds Initiative Awards
- ★ **2019 External Assessment Provider Of The Year**, Environmental Finance Green Bond Awards
- ★ **2019 Largest Green Bond SPO Provider**, Climate Bonds Initiative Awards
- ★ **2018 External Assessment Provider Of The Year**, Environmental Finance Green Bond Awards
- ★ **2018 Largest External Reviewer**, Climate Bonds Initiative Awards
- ★ **2017 Best External Assessment Provider**, Environmental Finance Green Bond Awards
- ★ **2016 Most Second Opinions**, Climate Bonds Initiative Awards