

SBP Kredit AB (publ) Green Finance Framework

November 2021



1. Introduction

a. About SBP Kredit AB (publ)

SBP Kredit AB (publ) (“**SBP**”, the “**Company**”, or together with any subsidiaries or parent companies, the “**Group**”) offers property loans and construction loans to property owners in Sweden. SBP was founded, together with its parent company Svensk Bostadspartner, in 2016 in Sweden and the Group is today comprised of 10 FTE’s. Per Q3 2021, the company has approved SEK 1.6 bn of loans, of which SEK 801m has been disbursed.

SBP’s provides financing for real estate projects, typically residential developments, either in the form of senior facilities with collateral or as junior facilities on top of senior facilities provided by a bank. A majority of the portfolio is comprised of the former. SBP’s competitive advantage lies in its strong in-house real estate expertise, allowing for a deeper analysis of the projects it invests in. This in-house expertise also allows SBP to provide assistance to its clients from construction start to completion.

Most loans in SBP’s portfolio have a tenor of between 1-3 years and are made to small and medium-sized developers situated throughout Sweden. As per Q3 2021, the average loan volume (excluding approved loans not paid out) was SEK 21 m with an average initial tenor of 1.5 years. By leveraging its strong experience and knowledge of both the financial and real estate markets, SBP is able to effectively price the underlying credit risk thus generating attractive risk-adjusted returns.

b. Sustainability at SBP

SBP aims to contribute to a more sustainable future through a range of avenues as evaluated through environmental, economic, and social perspectives. SBP seeks to do so by financing real estate projects and existing properties, in particular that geared towards residential segments. These projects and properties are situated throughout Sweden in municipalities varying both in size, wealth, and population composition. By carefully evaluating which real estate projects and properties to finance, SBP can play an important role in supporting the development of energy-efficient properties, built from sustainably sourced materials whilst reducing greenhouse gas emissions.

Further, SBP works to ensure that all financed projects actively strive to minimise waste involved in the construction process, with left-over waste either recycled or reused. The Company believes that employing a holistic approach to sustainability is also fundamental in attracting both future clients and employees. In the long run, it is believed that this approach will create value for shareholders and reinforce the company’s already strong brand. In this context, SBP goes to great lengths to ensure a working environment where employees are treated fairly regardless of race, religion, or sexual orientation.

As part of SBP’s sustainability strategy, the following environmental targets have been developed with a distinct link to the UN Sustainable Development Goals (the “**SDGs**”) to which SBP believes it contributes most.

1. Environmental/climate change

SBP aims to minimise the environmental, and thus subsequently, climate impact of properties and projects it assists in financing have. SBP is of the opinion that such an effect may only fairly be observed by analysing the entire life cycle of the building. Therefore, SBP has the ambition that all projects and properties it finances will meet the following criteria:

- Continually increase the share of energy use that is being derived from renewable energy sources by including in all loan documentation with SBP’s clients the requirement that developments only use electricity from renewable sources
- Improved resource efficiency in both the transportation of raw materials to construction sites and the broader construction process



2. Social sustainability

SBP’s portfolio of financed projects and properties are situated throughout Sweden, in municipalities which vary in size, wealth, and population composition. Furthermore, the projects and properties being financed by SBP also vary in

tenancy forms, price ranges and target market. Through the aforementioned avenues, SBP seeks to contribute to stronger communities. From an internal perspective, the Company strives to offer outstanding working conditions, therein retaining its brand as a responsible and attractive employer. For these reasons, the following targets have been set:

- Financed projects must be diversified and include living spaces that add value to local communities
- Projects must be transparent and sustainable at the supplier level
- SBP be an attractive employer with high employee satisfaction



3. Healthy and sustainable lifestyles

For SBP, one of the key targets in financing the development of any residential property, whether that be newbuilds or refurbishments, is to assist residents in living healthier and more sustainable lives. Within this context, SBP requires developers seeking financing to target the following criteria:

- Create housing and living environments that enable residents to live healthy and sustainable lives
- Satisfied households living in the properties



4. Economic sustainability

SBP aims to contribute to economic sustainability on several levels, including co-op tenant associations (where applicable) as well as for the end-user,

¹ Green Bond Principles published in June 2021 are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>.

regardless of tenancy form. The following targets have been set:

- Secure tenant-owner’s associations with stable long-term financial fundamentals
- Reasonably priced housing characterised by space, resource and energy efficiency



EU Taxonomy alignment

SBP has started to investigate what the EU taxonomy would mean for the Company’s activities. As of this Framework’s composition, SBP lacks some of the data and methodologies required to perform a complete EU Taxonomy assessment.

However, SBP is of the opinion that that its activities contribute to the environmental objective – Climate change mitigation. The technical screening criteria for economic activities, included in the Delegated for Climate Change Mitigation and Climate Change Adaptation, form the foundation on which this Framework may be further developed.

c. The Green Finance Framework

The establishment of this Green Finance Framework (the “**Framework**”) represents an avenue through which SBP can further its sustainability efforts and will play a key part in enabling it to have a positive environmental impact on society.

This Framework has been developed in alignment with the Green Bond Principle 2018 (“**GBP**”)¹ and Green Loan Principles (“**GLP**”)². Both of the aforementioned frameworks are applicable for issuance of green bonds, green loans (including Participating Debentures) and other types of debt instruments where net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing Eligible Green Projects³ with clear environmental benefits.

² Green Loan Principles published in February 2021 are voluntary process guidelines for issuing green loans established by Loan Markets Association (“**LMA**”), <https://www.lsta.org/content/green-loan-principles/>

³ Defined in section 2

Furthermore, the Green Finance Framework is reviewed by an impartial firm, CICERO, which has provided a second opinion to confirm its alignment with the GBP and GLP.

The Framework and second opinion from Cicero are available on SBP's website.

2. Use of proceeds

An amount equivalent to the net proceeds from the SBP's Green Finance Instruments shall be used to finance or re-finance, in part or in full, eligible projects and properties providing distinct environmental benefits ("**Eligible Green Projects and Properties**"). SBP will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the eligible projects.

Eligible Green Projects

It should be noted that the real estate sector in the European Union (EU) the largest single energy consuming sector, accounting for approximately 36% of total carbon emissions and 40% of total energy usage.⁴ For this reason, providing financing for the development of green and efficient buildings may play a key role in the energy transition. The latter has, time and time again, been proven in reports released by the European Commission, including *Renovation Wave for Europe* and the EU Taxonomy.

Green and energy efficient buildings

Eligible Green Projects and Properties include financing and refinancing of loans to either projects or existing properties which meet, or will meet, at least one of the following requirements:

- (i) New construction and existing buildings that either have, or with the objective to receive, an energy performance certificate (EPC) of class A or B
- (ii) Wooden buildings produced on site or in factories using, to the extent possible, locally grown Swedish wood as an input material. These must also have energy use at least 5% below the national building regulation, such as Boverket's Building Regulations ("**BBR**"), applicable at the time of construction.

- (iii) New construction and existing buildings that either have, or with the intention to receive, major well-known environmental certifications, such as:

- ✓ LEED "Silver" or better
- ✓ BREEAM "Very Good" or better
- ✓ BREEAM-In-Use "Very Good" or better
- ✓ Nordic Swan Ecolabel (Sw. "Svanen")
- ✓ Miljöbyggnad "Silver" or better
- ✓ Green building
- ✓ Passive house (Sw. "Passivhus")

Or any other well recognized certification scheme of similar level subject to approval from the GFC⁵. For certifications that do not impose energy use requirements, projects or properties must also have an energy use 10% below the national building regulation, such as BBR, applicable at time of construction.

- (iv) New construction and existing buildings with an energy use per year 20% below the national building regulation, such as BBR, applicable at time of construction.
- (v) Major renovations resulting in reduced energy consumption of at least 30% compared to pre-renovation

Energy efficiency

Energy retrofits such as heat pumps, converting to LED lighting, improvements in ventilation systems, extension of district heating and cooling systems, on-site solar panels, geothermal heating, sewer improvements etc.

Green projects defined under 'Green and energy efficient buildings' are based on the volume of the approved credit for (i) buildings under construction (subject to completion within 24 months) or (ii) existing properties. Eligible Green Projects and Properties under 'Energy efficiency' correspond to the relevant invested amount.

3. Project evaluation & selection

a. Selection of eligible projects

The evaluation and selection process for Eligible Green Projects and Properties is a key process in ensuring that the proceeds from Green Finance

⁴ EU Taxonomy Report: technical Annex March 2020, https://ec.europa.eu/info/sites/info/files/business_economy_e

⁵ GFC is defined in section 3a

Instruments are allocated to projects which meet the criteria in the Framework.

The selection of Eligible Green Projects and Properties is managed by a dedicated group, the Green Finance Committee (“**GFC**”). Members of the GFC consist of CEO, Head of Investor Relations and CFO. SBP will assure that the sustainability expertise always relies within the GFC. All decisions are made in consensus, and that applies to the selection process of Eligible Green Projects and Properties as well.

A list of Eligible Green Projects and Properties is to be kept up to date by SBP and the CFO is responsible for keeping this list up to date.

b. Further responsibilities of the GFC

SBP will observe the development of the green finance market and will accordingly update the Framework to reflect any changes in future market practices. These may include the implementation of the EU Taxonomy, as well as potential updates to the GBP and GLP.

The list of Eligible Green Projects and Properties is monitored on a regular basis during the term of the Green Finance Instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Projects. This is also a responsibility of the GFC.

c. Exclusion

The proceeds of the SBP’ Green Finance Instruments will not be used to finance either fossil fuel energy generation (including fossil fuel heating of properties), nuclear energy generation, the weapons and defence industries nor potentially environmentally negative resource extraction, gambling, or tobacco.

4. Management of proceeds

Net proceeds from SBP’s Green Finance Instruments will be tracked using a spreadsheet where all amounts of Green Finance Instruments issued by the Group will be inserted. The spreadsheet will also contain the list of Eligible Green Projects and Properties mentioned in Section 2. Information available in the spreadsheet will in turn serve as basis for regular reporting described in Section 5 and will be verified by an external part as mentioned in Section 6.

All Green Finance Instruments issued by the Group will be managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to one (or more) pre-determined Eligible Green Projects. The Company will keep track and ensure there are satisfactory Eligible Green Projects and Properties in the portfolio. Projects can, whenever needed, be removed, or added to/from the Eligible Green Projects and Properties portfolio.

Any unallocated proceeds temporary held by SBP will be placed on the company’s ordinary bank account or in the short-term money market. Should there be any unallocated proceeds, SBP strives to allocate them within one year.

5. Reporting

To be fully transparent towards the investors and other stakeholders, SBP commits to regular reporting at least on an annual basis, providing that at least a full calendar year has passed since the first issuance of Green Finance Instruments. The Group commits to said reporting until no Green Finance Instruments are outstanding. The report will cover the following areas:

a. Allocation reporting

Allocation reporting for Green Finance Instruments will be published on the company’s website on an annual basis.

- Total amount of Green Finance Instruments issued
- Share of proceeds used for financing/refinancing as well as share of proceeds for categories described in Section 2
- Share of unallocated proceeds (if any)

b. Impact reporting

SBP intends to report on quantitative impact indicators where reasonable and where relevant data is available for the two below main categories

i. Green Buildings:

- Type and degree of certification (e.g Nordic Swan Ecolobal, Miljöbyggnad Silver, etc)
- Energy performance certificate (EPC) class (if any)
- Energy use (kWh/m²)

ii. Energy efficiency:

- Amount of energy saved per sqm
- Estimated annual greenhouse gas emissions reduced or avoided (tCO₂e)

5. External review

a. Second party opinion

To confirm the transparency and robustness of SBP's Green Finance Framework, it has been verified and approved by an external second opinion provider. The second opinion has been given by Cicero and is available on SBP's website, together with this Framework.

b. External part/verified

Allocation of proceeds will be subject for an annual review by an external part/verifier. A verification report provided by the external part will be published on the company's website.

