



Green Finance Framework

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Introduction

About SBP

SBP Kredit AB (publ) (“SBP”, the “Company”, or together with any subsidiaries or parent companies, the “Group”) offers loans to real estate companies and property projects in Sweden. SBP was founded, together with its parent company Svensk Bostadspartner, in 2016 in Sweden and the Group is today comprised of 9 FTE’s. The Company has financed 262 loans and granted SEK 6.3bn in credits.

SBP 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 inhouse real estate expertise, allowing for a deeper analysis of the projects it invests in. This in-house expertise also allows the Company to assist 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 real estate companies situated throughout Sweden. As per Q3 2024, the average loan volume (excluding approved loans not paid out) was SEK 22m with an average initial tenor of 18 months. 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.



Sustainability at SBP

SBP seeks to contribute to a more sustainable future by financing real estate projects and existing properties that particularly are geared towards residential segments. By carefully evaluating which projects and properties to finance, SBP can play an important role in supporting the development of energy-efficient properties built from sustainably sourced materials while reducing GHG emissions.

The Company’s sustainability strategy focuses on four main areas:

- Environmental/climate change
- Social sustainability
- Healthy and sustainable lifestyles
- Economic sustainability

Environmental/climate change

SBP aims to minimise the environmental and climate impact of properties and projects from a life cycle approach. Therefore, SBP aims, where feasible that all projects and properties it finances will meet the following criteria:

- *Renewable energy* - continuously increase the share of renewable energy and that developments only use electricity from renewable sources
- *Resource efficiency* - improved resource efficiency in the transportation of raw materials to construction sites and in the broader construction process

SBP also focuses on the following:

- *Climate risks assessments* – incorporated in SPB’s due diligence and lending criteria
- *Wooden buildings & buildings with low energy consumption* – SBP strives to prioritize this type of properties
- *Environmentally certified buildings (e.g., Miljöbyggnad “Silver” or better)* – financing properties that are environmentally certified can contribute to minimizing the carbon footprint from the operation and construction of buildings
- *Own operations* – SBP has initiatives such as using 100% green electricity
- *Waste* - ensures that all financed projects actively strive to minimize waste involved in the construction process, with leftover waste either recycled or reused

Social sustainability

SBP's portfolio of financed projects and properties are situated throughout Sweden, in municipalities which vary in size, wealth, and population composition. The projects and properties financed by the Company also vary in tenancy forms, price ranges and target market. For example, SBP finances student housing and social infrastructure properties (i.e. elderly care homes) and thus SBP seeks to contribute to stronger communities. The Company also aims to be an attractive employer, offering equal working conditions regardless of gender, race, religion, or sexual orientation. For these reasons, the following targets have been set:

- *Local communities* - financed projects must be diversified and include living spaces that add value to local communities
- *Sustainable suppliers* - projects must be transparent and sustainable on supplier level
- *Attractive employer* - be an attractive employer with high employee satisfaction

Safe environments

SBP conducts site visits at projects to identify any potential hazards or other safety risks. The Company checks that its clients involved in the project have a strong track record of safety and comply with relevant regulations. SBP has contractual obligations, and all clients are required to follow ABT or similar (Sw. Allmänna Bestämmelser för Totalentreprenader) i.e., "General Conditions of Contract – for design and construct contracts for building, civil engineering and installation works". ABT plays an important role in establishing a framework that promotes safety and reduces the risk of accidents in construction projects.

SBP's Charity Foundation

SBP is 40% owned by a charity foundation that receives an annual dividend to be donated to social projects related to the Company's operations. Over the years, SBP has supported "Her House Foundation", which focuses on domestic violence and helps women find their own housing through collaboration with property owners. The foundation also supports the association "Glöm Aldrig Pela och Fadime" (GAPF), which fights honor-related violence

and oppression and offers help to those who are affected by or at risk of such violence.

Healthy and sustainable lifestyles

For SBP, one of the key targets in financing the development of residential properties, 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:

- *Sustainable lives* - create housing and living environments that enable residents to live healthy and sustainable lives
- *Satisfied households* - satisfied households living in the properties

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

- *Long-term financial fundamentals* - secure tenant-owner's associations as customers with stable long-term financial fundamentals
- *Reasonably priced* – finance projects with reasonably priced housing characterised by space, resource and energy efficiency

Governance

Governance structure

- *Board of directors* - adopts the Company's Sustainability Policy. Ultimately responsible for the organisation and the risks it is exposed to
- *CEO* – ultimately responsible for ensuring that the Company complies with the Sustainability Policy. The CEO can delegate responsibility to other employees in the organisation
- *CEO and management* - responsible for the day-to-day management in accordance with policies and governance documents

Further, all employees and the board of directors undergo annual training on anti-corruption. The Company also conducts a KYC for each new customer to minimize potential risks. In addition, SBP has a whistle-blower function.

Selected policies

- *AML Policy*
- *Credit Policy*
- *GDPR Policy*
- *Information Policy*
- *Sustainability Policy*
- *Whistleblower function*

UN Sustainable

Development Goals

SBP has concluded that the Company is best able to contribute to the following SDGs:



¹The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)

The Green Finance Framework

Rationale for updating the Framework

In November 2021, SBP established its inaugural Green Finance Framework. Since then, the green bond market and sustainability related regulations have evolved and SBP aims to incorporate these market developments into its updated Green Finance Framework (the "Framework"). Thus, this Framework replaces the previous Framework published in 2021. This updated Framework, which follows most recent market practice, will support SBP in continuing to finance sustainable properties and thereby contribute to a positive environmental impact on the society.

The Framework has been developed in alignment with the ICMA Green Bond Principles from 2021 ("GBP"¹) and the LMA/LSTA/APLMA Green Loan Principles from 2023 ("GLP"²). The Framework follows the four core components of the principles including key recommendations for external review:

- Use of Proceeds
- Process for Loan Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable for arrangement of green finance instruments such as bonds and loans (including participating debentures), collectively referred to as "Green Finance Instruments".

The terms and conditions of the underlying documentation for each Green Finance Instrument arranged by SBP shall provide a reference to this Framework. This Framework may over time be updated. However, new versions shall have no implications for the Green Finance Instruments that have been arranged under this Framework.

²The Green Loan Principles (GLP) Feb 2023

Use of Proceeds

Allocation of net proceeds

An amount equivalent to the net proceeds from SBP's Green Finance Instruments shall be used to finance or re-finance, in whole or in part, loans with environmental benefits ("Green Eligible Loans"). The Framework does not apply any look-back period to Green Eligible Loans due to the fact that Green Eligible Loans have a certain tenor meaning that the "age" of the underlying green portfolio is automatically limited. New financing is defined as Green Eligible Loans disbursed during the reporting year. Refinancing is defined as Green Eligible Loans disbursed before the reporting year.

Exclusion criteria

The net proceeds of SBP's 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.

EU Taxonomy

SBP has taken into consideration the EU Taxonomy and thereby mapped the applicable category to the environmental objectives and to examples of economic activities under the EU Taxonomy. Where possible, applicable Eligibility Criteria has been designed to comply with the technical screening criteria set out in the EU Taxonomy Delegated Act as at the time of this Framework publication.



ICMA GBP: Green Buildings

EU Taxonomy objective: Climate change mitigation

EU Taxonomy activities:

- 7.1. Construction of new buildings
- 7.2. Renovation of existing buildings
- 7.7. Acquisition and ownership of buildings

UN SDGs:



New buildings³

Loans to buildings incl. land that either have or will receive:

- Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly Zero Energy Building (NZEB) according to national building regulations⁴, or
- Energy Performance Certificate (EPC) A or B, or
- Minimum certification of Miljöbyggnad “Silver” or Nordic Swan Ecolabel or Passive house or LEED “Gold” or BREEAM “Very Good”
- Additional criteria for buildings larger than 5,000 sqm⁵:
 - The building undergoes testing for air-tightness and thermal integrity, upon completion; and
 - The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle

Existing buildings⁶

Loans to buildings incl. land that either have or will receive:

- EPC A or qualifying within top 15% of the national building stock expressed as operational PED and demonstrated by adequate evidence⁷, or
- Minimum certification of Miljöbyggnad/Miljöbyggnad iDrift “Silver” or Nordic Swan Ecolabel or Passive house or LEED “Gold” or BREEAM/BREEAM In-Use “Very Good”

Major renovations

- PED savings of at least 30% within maximum of three years

³New buildings are defined as buildings where the building application was filed after 31 December 2020.

⁴In Sweden, thresholds set for NZEB is implemented through Boverkets Byggregler, BBR. Most recent version BBR 29 at the time of publication of this Framework.

⁵Subject to implementation through national legislation.

⁶Existing buildings are defined as buildings where the building application was filed before 31 December 2020.

⁷The report by the Swedish Property Federation (Fastighetsägarna in Sw.), CIT Energy Management will be used for determining top 15%. SBP Kredit can also seek guidance from other appropriate external benchmarks to determine the top 15% if such report is issued by a national government or industry specialist.

Process for Loan

Evaluation and Selection

Selection of Green Eligible Loans

The evaluation and selection process for Green Eligible Loans is key to ensure that an amount equivalent to the net proceeds from Green Finance Instruments are allocated to Green Eligible Loans which meet the Eligibility Criteria as set out in the Framework.

The credit process

All loans, including Green Eligible Loans, are subject to the credit process which intends to ensure compliance with applicable national regulations, and includes a Know-Your-Customer (KYC) procedure. In addition, sustainability considerations are taken into account. For example, climate risks assessments are incorporated in the lending criteria. Projects and properties which are naturally at risk, for example situated in flooding-prone locations, are subject to more rigorous risk analyses. Only loans approved in the regular credit process can be eligible for green funding, and the qualification for green criteria cannot override credit risk.

The Green Finance Committee

SBP's Green Finance Committee ("GFC") is responsible for the evaluation and selection of Green Eligible Loans. Members of the GFC consist of the CEO, CFO and Head of Investor Relations. The GFC will convene at least annually. SBP will assure that the sustainability expertise always relies within the GFC.

The evaluation and selection process has the following steps:

- As first step, any GFC member or relevant department at SBP may propose potential Green Eligible Loans to be evaluated in line with the Eligibility Criteria as set out in the Framework
- As second step, the GFC confirms that the proposed Green Eligible Loans are in line with the Eligibility Criteria as set out in the Framework as well as ensure that the environmental and social risks potentially associated with the Green Eligible Loans adhere to the Company's internal policy documents and guidelines as well as

applicable national laws and regulations. These laws and regulations are monitored and enforced by local authorities

- As final step, approved Green Eligible Loans will be inserted to an internal tracking spreadsheet

Additional responsibilities of the GFC include:

- Reviewing the eligibility of Green Eligible Loans on a regular basis (at least annually) to ensure there is sufficient volume of Green Eligible Loans in the internal tracking spreadsheet
- Reviewing the Framework and updating it to reflect changes in business strategy or market- or regulatory developments on a best-effort basis
- Overseeing, approving and publishing the Investor Report. SBP may rely on external consultants and their data sources, in addition to its own assessments
- Updating external documents such as the Second Party Opinion (SPO) and related documents from external consultants and accountants in connection with material updates to this Framework

Management of Proceeds

Tracking of net proceeds

An amount equivalent to the net proceeds from SBP's Green Finance Instruments will be tracked by using an internal tracking spreadsheet and managed on a portfolio level. This means that a Green Finance Instrument will not be linked directly to one (or more) pre-determined Green Eligible Loans.

The Company will keep track and ensure there are sufficient volume of Green Eligible Loans in the internal tracking spreadsheet. Further, the internal tracking spreadsheet can be updated as needed by adding or removing Green Eligible Loans. For the sake of clarity, if for any reason a Green Eligible Loan ceases to comply with the requirements set out in the Framework, such loan will be removed from the internal tracking spreadsheet. The Finance Department is responsible for the management of proceeds.

Allocation Period

SBP will commit to, on a best-effort basis, allocate the net proceeds from the Green

Finance Instruments to Green Eligible Projects within 12 months from the issuance/arrangement date of each Green Finance Instrument.

Temporary holdings

Any unallocated proceeds will be temporary held by SBP and placed on the Company's ordinary bank account or in the short-term money market.

Reporting

To be fully transparent towards investors and other stakeholders, SBP will publish an Investor Report. The report will include an allocation report and an impact report and will be published on an annual basis until full allocation and in the event of any material developments, as long as there are Green Finance Instruments outstanding. The Investor Report will be made available on SBP's website, www.sbpkredit.se, together with this Framework.

Allocation reporting

- Total amount of Green Finance Instruments outstanding
- Breakdown by Green Finance Instrument category
- Share of proceeds used for new financing/refinancing
- Share of unallocated proceeds (if any)
- Descriptions of selected Green Eligible Loans if not of confidential nature

Impact reporting

SBP intends to report on quantitative impact indicators where reasonable and relevant data

is available and based on SBP's financed share of each project. Examples of impact indicators include:

Green Buildings:

- Estimated annual GHG emissions reduced/avoided (tCO₂e)
- Estimated annual energy reduced/avoided below national building standards (kWh/sqm, or %) or other relevant benchmark
- Type of environmental certification (e.g., Miljöbyggnad Silver)
- EPC class (if any), or within top 15%

External Review

Second Party Opinion

This Framework has been reviewed by Moody's who was asked to confirm the alignment with ICMA GBP and LMA/LSTA/APLMA GLP. The Second Party Opinion by Moody's will be available on SBP's website; www.sbpkredit.se, together with this Framework.

Verification

The allocation reporting will be externally verified, by an auditor or another independent third party, to verify whether an amount equal to the net proceeds from SBP's Green Finance Instruments have been allocated to Green Eligible Loans. This verification will take place annually until full allocation and in the event of any material developments. The verification report will be published on SBP's website; www.sbpkredit.se, together with the Investor Report.



