



Samhällsbyggnadsbolaget

SUSTAINABLE FINANCING FRAMEWORK

November 2020

1. Introduction

Samhällsbyggnadsbolaget i Norden AB ("**SBB**") was founded in March 2016 by Ilija Batljan with the aim of building a strong and stable Nordic real estate company focused on residential and community service properties.

The company's strategy is to have a long-term view on ownership, management and development of rent regulated residential properties in Sweden and low-risk community service properties in the Nordic region. SBB also carries out value-creating activities such as redevelopment and renovations of existing properties as well as conversions of commercial properties in central locations with proximity to efficient infrastructure into residential properties.

SBB is listed on Nasdaq Stockholm Large Cap.

This Sustainable Financing Framework was published on 25th November 2020, and is aligned with the International Capital Market Association Green Bond Principles published in June 2018 (the "**GBPs**"), Social Bond Principles published in June 2020 (the "**SBPs**") and Sustainability Bond Guidelines published in June 2018 (the "**SBGs**") as well as the Loan Market Associations' Green Loan Principles (the "**GLPs**").

SBB's Sustainability Strategy

Social engagement is important to SBB. Throughout its operations, the company aims to contribute to a sustainable society with functional properties where residents are able to influence their immediate surroundings through close dialogue with SBB as owner and property manager.

SBB actively integrates social and environmental sustainability across its operations, and sustainability goals and considerations are integrated in the individual business plans for each geographical region. By integrating environmental and social considerations into the business planning and decision-making processes, the company aims to contribute to reaching the goals set forth by the Paris Climate Agreement and the Sustainable Development Goals.

SBB's long term goal is to reach climate neutrality by 2030 while continuously monitoring the climate risks of the current property portfolio. SBB also supports the principles of the UN Global Compact and the Sustainable Development Goals, where the company has chosen to focus on the goals (1), (4), (5), (7), (8), (10), (11), (13), (15) and (16).



SBB's strategies for corporate responsibility and sustainability are mainly described in the company's Code of Conduct, Sustainability Policy and Sustainability Vision for 2030. All employees are required to sign the Code of Conduct and to keep themselves updated on these policy documents as well as current applicable laws and regulations. Employees are also required to report detected deviations with environmental impacts on managed properties in the company's system for deviation reporting.

Sustainable property development

With strong population growth and an increasing proportion of the elderly population, the need for both residential and community service properties is on the rise. New properties need to be built, while a large portion of older properties are in need of renovation and modernization to fulfil current requirements and standards. SBB stands well positioned to meet these market developments. As one of the Nordic region's strongest real estate companies focused on community service properties, and with a business plan to construct and modernize properties in a sustainable way, SBB is a long-term partner to many municipalities, county councils and other stakeholders in this sector.

As part of the company's property acquisition process, SBB evaluates the geographical locations in terms of proximity to public transportation. SBB's viewpoint on modern sustainable living is that tenants shall have access to healthcare, schools and care services without having to use a car. Most of the company's acquired development properties are therefore located close to rail, metro or tram stations and all development areas are in designated priority transport locations.

SBB puts a high emphasis on reducing the environmental impact throughout the company's operations. This includes choosing energy efficient equipment, using environmentally friendly materials for construction, refurbishing and maintenance activities, reducing waste and promoting recycling as well as minimizing transports. In connection with the acquisition of properties, SBB performs thorough investigations of both land and buildings to identify risks and opportunities for both health, society and the environment. In this way, SBB can make sure that its property portfolio is managed and expanded in a sustainable manner.

Upgrading existing residential and community service properties into modern standards yields both environmental and social benefits by reducing energy consumption and greenhouse gas emissions as well as adapting facilities to current community needs. Adapting facilities to current community needs may include refurbishments to better suit modern education and healthcare, improved accessibility for tenants with disabilities, better air quality as well as better indoor climate. SBB can currently build and offer properties with various certifications such as Green Building and Miljöbyggnad. Other certifications such as BREEAM can be relevant for SBB to introduce in the future. SBB also offers so-called green lease agreements, which are based on the property owners' contract template, in all new negotiations or renegotiations with tenants. Green lease agreements enable tenants and property managers to work together to create more sustainable properties. In this way, SBB and its tenants can together make efforts to decrease its climate footprint and contribute to a sustainable development.

SBB requires all its partners, suppliers and contractors to follow environmentally friendly procedures. When entering new contracts with such stakeholders, an assessment of their environmental and overall sustainability procedures is part of the decision-making process. SBB's Environmental Policy and Code of Conduct shall be signed and followed by suppliers as well as employees. Compliance is followed up regularly.

2. The Sustainable Financing Framework

By setting up this Sustainable Financing Framework (“**Framework**”), aligned with the GBPs, SBPs, SBGs and GLPs, SBB offers investors further insights into the company’s sustainability strategy and commitments and thereby an opportunity for its investors to support the transition to a low carbon economy as well support the housing needs of underserved communities.

Under this Framework, SBB can issue three types of instruments:

1. "**Green Financing Instruments**" – the proceeds of which are exclusively allocated to Green Asset Categories as described in the use of proceeds section;
2. "**Social Financing Instruments**" – the proceeds of which are exclusively allocated to Social Asset Categories as described in the use of proceeds section; or
3. "**Sustainability Financing Instruments**" – the proceeds of which are allocated to both Green or Social Asset Categories, as described in the use of proceeds section.

For the sake of ease, Green, Social and Sustainability Financing Instruments will be referred to collectively as “**Sustainable Financing Instruments**” in the rest of this document.

Sustainable Financing instruments include any financial instrument where the proceeds can be exclusively allocated to finance or re-finance, in part or in full, new and / or existing Eligible Green or Social Asset or both as defined in this framework. In the case of Green loans, SBB will ensure alignment with the recommendations of the GLPs.


SBB has worked with Citi to develop this Sustainable Financing Framework, which replaces its previous Green Bond Framework. ISS-ESG has provided a second party opinion on the Sustainable Financing Framework.



The framework together with the second party opinion by ISS-ESG is publicly available at SBB’s website: <http://sbbnorden.se/>.

Use of Proceeds





An amount equivalent to the net proceeds from SBB’s sustainable financing instruments will be used to finance or re-finance, in part or in full, Green Eligible Assets or Social Eligible Assets (each as defined below) (each referred to herein as “**Eligible Assets**”) providing distinct environmental or social benefits. SBB will follow the process described in the Framework along with its professional judgement, discretion and sustainability expertise when identifying the Eligible Assets.



“**Green Eligible Assets**” relevant for use under the Framework include:

Asset Category	Eligibility Criteria	Alignment with the UN SDG Targets
Green Buildings	<p>Category I: New construction and major renovations:</p> <ul style="list-style-type: none"> i. All new construction that either have or will receive minimum certification of Miljöbyggnad Silver or GreenBuilding or Passive House (Sw. “<i>Passivhus</i>”) after the completed construction ii. All new construction that i) either have or will receive minimum certification of “LEED Gold” or “BREEAM Very Good” after the completed construction and ii) have an energy performance at least 25 per cent below the 	 <p>11.c Building sustainable and resilient buildings</p>

	<p>current national regulation after the completed construction</p> <ul style="list-style-type: none"> iii. New construction with energy consumption 25 per cent below the national building requirements and/or major renovations reducing energy consumption by at least 25 per cent iv. All new constructions that either have or will receive an energy performance certificate ("EPC") of levels A. <p>Category II: Existing buildings including acquired buildings:</p> <ul style="list-style-type: none"> I. Existing buildings that have obtained certification during the construction period according to category I II. Existing buildings certified as Green Building and Miljöbyggnad Silver III. Existing building that are i) certified as minimum "LEED Gold" or "BREEAM Very Good" and ii) have an energy performance at least 25 per cent below the current national regulation. <p>Category III: Existing buildings that are part of the "Green Residential Portfolio" close to public services: As described in detail in Appendix 1, these are residential buildings close to public services and public transportation (less than 2 km), and which are committed to a 30 per cent reduction in energy consumption over a five year period.</p> <p>Eligible Green Assets in Green buildings, category I: new construction and major renovations and Energy efficiency, correspond to the relevant invested amount.</p> <p>Eligible Green Assets in Green buildings, category II & III are based on the market value reported on the balance sheet at time of the issuance of the Green Financing Instrument. In addition to the criteria above, Eligible Green Assets cannot be heated by fossil fuels such as oil or natural gas.</p>	 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</p>
<p>Energy efficiency</p>	<p>Energy retrofit projects such as:</p> <ul style="list-style-type: none"> I. Heat pumps, II. Installment of LED lighting, III. Improvements in ventilation systems, IV. Extension of district heating and cooling systems. 	 <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.</p>

"Social Eligible Assets" relevant for use under the Framework include:

Asset Category	Eligibility Criteria	Target Population	Alignment with the UN SDG Targets
<p>Affordable Housing</p>	<p>Rent-regulated Residential Housing</p> <p>In Sweden, all residential contracts have regulated rent. The rent is negotiated between the property owner the Swedish Union of Tenants on an annual basis, based on the principle of utility, apartments with the same utility shall have the same price.</p> <p>As a consequence of the system the rent level in the largest cities in Sweden have substantially lower rent levels than the theoretical market rent.</p>	<p>General Population</p>	 <p>1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property</p>  <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>  <p>11.1 By 2030, ensure access for all to adequate, safe and affordable housing</p>
<p>Access to Essential Services</p>	<p>Community Service Properties:</p> <ul style="list-style-type: none"> • Healthcare properties • Elderly care home with access to medical care and assistance • Care homes for people with disabilities (incl. intellectual disabilities, autism, brain damage, reduced mobility) with access to assistance • Preschools • Primary schools and secondary schools • Higher education and universities • Culture facilities (incl. libraries, culture centres, community centres) 	<p>General Population</p> <p>People with Disabilities</p> <p>Dependent Elderly People</p>	 <p>3.C: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States</p>

	<p>Sweden has free choice of care – <i>fritt vardval</i> – which means people have the right to choose health centres, child welfare centres, and care homes.</p> <p>Similarly, Sweden has a voucher system – <i>skolpeng</i> – enabling free choice among publicly run schools and privately run friskolor (“free schools”).</p>		 <p>4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes</p>  <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>  <p>5.4: Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate, and we'd like to include a reference to this goal</p>
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For the avoidance of doubt, financing related to the following activities are excluded from the financing by SBB’s Sustainable Financing Instruments:

- Fossil fuel energy
- Nuclear energy
- Large Hydro > 20MW
- Defence
- Gambling
- Tobacco
- Alcohol
- Weapons
- Prisons and Correctional Facilities

Process for Evaluation and Selection

The corporate responsibility principles of SBB build on the ten principles of the UN Global Compact and are recorded in the Code of Conduct, Sustainability Policy as well as policies concerning human resources, communications, safety and security, risk management and sponsorships. SBB complies with International Accounting Standards and the Swedish Corporate Governance Code.

Selection of Eligible Green Assets

The evaluation and selection process for Eligible Assets (Green or Social) is a key process in ensuring that the proceeds from Sustainable Financing Instruments are allocated to assets and activities which meet the criteria in the Framework.

The selection of Eligible Assets is managed by a dedicated Sustainable Financing Committee consisting of:

- SBB Chief Executive Officer
- SBB Chief Financial Officer
- SBB Technical Manager
- SBB Head of Sustainability
- SBB Head of Finance

A list of Eligible Assets is kept by the Sustainable Financing Committee and the Head of Finance is responsible for keeping this list up to date. The list of Eligible Assets is monitored on a regular basis as long as there are Sustainable Financing Instruments outstanding to ensure that the proceeds are sufficiently allocated to Eligible Assets and that these assets continue to meet the Eligibility Criteria described in the Use of Proceeds section.

Inclusion in the list of Eligible Assets follows a two-step process. This process is also applicable if, for any reason, a singular asset which is an Eligible Asset, is sold or for other reasons needs to be excluded from the list, and where SBB replaces the asset with a similar asset meeting the criteria in the Framework.

- i. The SBB Business Controller team presents relevant buildings, meeting the criteria of this Framework to the Sustainable Financing Committee.
- ii. The Sustainable Financing Committee solely makes the decision to include the new building in the list of Eligible Assets. A decision to include an asset will require a consensus decision by the Sustainable Financing Committee. The decision is documented and filed.

Management of Proceeds

An amount equal to the net proceeds of SBB's Sustainable Financing Instruments is credited to a separate account ("**Separate Account**"). The proceeds in such account are kept separated from other accounts to ensure and enable separate monitoring and tracking of the Sustainable Financing Instrument net proceeds.

SBB will document all transfers to and from such Separate Account, to secure tracking of the funds and to simplify the annual review. The Treasury Department is responsible for the allocation of net proceeds of Sustainable Financing Instruments to the relevant and approved list of Eligible Assets and their related investments.

All Sustainable Financing Instruments issued by SBB will be managed on a portfolio level. This means that a Sustainable Financing Instrument will not be linked directly to one (or more) pre-determined Eligible Assets. SBB will keep track and ensure there are sufficient Eligible Assets in the portfolio. For clarity SBB will manage Eligible Assets across 3 sub-portfolios monitoring Green Assets, Social Assets and Sustainability Assets. Assets can, whenever needed, be removed or added to/from the Eligible Assets portfolio.

In the event the Separate Account has a positive balance, SBB will have the right to either: i) temporarily deposit such positive balance with approved financial institutions as defined by the company's Financial Policy or ii) temporarily invest in debt securities from issuers with a minimum credit rating of BBB- from Standard & Poor's or equivalent rating from another rating institute and with a maximum maturity of 12 months.

Temporary investments or deposits will not be made in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or other carbon dioxide intense activities, development within weapons and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

As long as Sustainable Financing Instruments are outstanding and the Separate Account has a positive account balance, such positive account balance will, in relation to amounts allocated to Eligible Assets, be adjusted at least every fiscal quarter. SBB will, until full allocation of the net proceeds from Sustainable Financing Instruments has taken place, in its reporting disclose the amount of net proceeds not yet allocated.

Reporting

SBB will annually, and until the maturity of the Sustainable Financing Instruments issued, provide investors with an annual newsletter, publicly available on its website <http://sbbnorden.se/>. The annual newsletter will include:

- i. A summary of Sustainable Financing developments
- ii. The outstanding amounts of issued Green, Social and Sustainable Financing Instruments
- iii. The balance on the Separate Account (including any, temporary investments or deposits and Sustainable Financing repayments)
- iv. Share of proceeds used for financing/re-financing as well as share of proceeds used for categories in section "Use of proceeds"
- v. Share of unallocated proceeds (if any)
- vi. A complete list of Eligible Green and Social Assets financed by Sustainable Financing Instruments.
- vii. Impact reporting

Impact Reporting

Green Eligible Assets

SBB intends to show reduced or avoided emission of CO₂-equivalents in proportion to the eligible part financed or refinanced with net proceeds from Sustainable Financing Instruments. SBB will use a baseline calculation method taking into consideration energy savings, avoided energy consumption and reduced usage of fossil energy sources.

Such impact reporting is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best intention basis. E.g. if energy efficiency investments are still under construction and not yet operational, SBB will provide an estimation of energy consumption savings, confirmed by an external consultant, as presented under the Energy Reduction action plan, until the actual outcome is confirmed.¹

¹ Given that renovation work may include increasing the number of rooms, SBB has the possibility to take the increased number of tenants and thereby the added need of e.g. heated tap water into consideration when calculating Energy Reduction.

SBB will aim to report on the following metrics for impact reporting on asset level, where feasible and to the extent data is available. The report will be included in the annual investor letter:

- Green buildings, category I & II: type of certification and degree of certification, energy performance per square meter and/or estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e)
- Green buildings, category III: pre and post renovation energy consumption disclosed as absolute consumption and per square meter, calculated annual CO₂-equivalent emissions reduced or avoided disclosed as absolute (tCO₂e) and per square meter, the percentage of total energy use supplied by renewable energy
- Energy efficiency: amount of energy saved per square meter, estimated GHG emissions reduced or avoided (tCO₂e)
- An external consultant confirmation to every individual property energy reduction reported.

The following metrics for impact reporting on a portfolio level may be included in the annual investor letter:

- The Energy Reduction
- Calculated annual CO₂ equivalent emissions reduced or avoided (tCO₂e)
- The external consultant confirmation of the reported Energy Reduction

Social Eligible Assets

SBB will aim to report on the following metrics for impact reporting on asset level, where feasible and to the extent data is available. The report will be included in the annual investor letter:

- Area in sqm and No. of rent regulated and affordable housing units acquired, refinanced or built
- No. of people/families housed in rent regulated or affordable housing polulations
- Area in sqm and No. of Healthcare properties acquired, refinanced or built and No. of people benefitting from access to healthcare through these facilities
- No. of summer jobs
- Area in sqm and No. of Elderly care homes acquired, refinanced or built and No. of Elderly people benefitting from access to these homes.
- Area in sqm and No. of care homes for people with disabilities acquired, refinanced or built and No. of people benefitting from these
- Area in sqm and No. of Preschools, Primary and Secondary schools acquired, refinanced or built and no. of students benefitting from these.
- Area in sqm and No. of Higher education and universities buildings acquired, refinanced or built and no. of students benefitting from these
- Area in sqm and No. of Culture facilities (incl. libraries, culture centres, community centres) buildings acquired, refinanced or built and no. of people benefitting from these
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External Review

To confirm the transparency and robustness of SBB's Sustainable Financing Framework, it is verified and approved by an external second opinion provider. The second opinion by ISS-ESG is available on the company's website.

SBB plans to work with an external consultant to independently validate the impact reporting data and impact calculation methodologies included within SBB's annual investor newsletter.

Appendix 1

Green Residential Portfolio

The Green Residential Portfolio corresponds to a targeted, and by SBB predefined, portfolio of rent regulated residential apartment houses, mainly built in the period between the 1950s and the 1980s, with proximity (less than 2 km) to public services and public transportation.

These apartment houses were acquired by SBB over a period starting in 2016 and ending in May 2018, with the ambition to renovate into modern sustainable living standards. To SBB, modern sustainable living standards includes proximity to public services and public transportation as well as increased living conditions such as modernization of the interior, increased tenant functionalities and a substantially lower energy consumption than was the standard when these apartment houses were built.

Differing characteristics among the buildings in the Green Residential Portfolio, such as current status and geographical location, may result in different Energy Reduction outcomes for the individual buildings. Some buildings may achieve as much as a 50 to 60 per cent energy reduction, whilst others will achieve less. Every single building in the Green Residential Portfolio must at least achieve an Energy Reduction of 15 per cent in the given timeframe of five years. On a portfolio level, the energy purchased per square meter should be reduced by at least 30 per cent². An external consultant will verify the reduced energy consumption for individual properties and on a portfolio level. Energy reduction investments are broadly based on an energy reduction action plan defined in cooperation with iNEX Internationell Exergi AB and these predefined investments categories do not require additional approval from the Green Financing Committee. In addition to the Energy Reduction action plan, SBB might use other measures applicable to the specific building or in line with new technology, such as installation of rooftop solar units.

If, for any reason, an asset in the Green Residential Portfolio needs to be replaced, the new asset must meet the following criteria;

- Rent regulated residential apartment house^{3 4}
- Built in the 20th or the 21st century, and
- Proximity to public services and public transportation (less than two km).

As with all SBB acquisitions, the acquisitions of the rent regulated residential apartment houses forming the Green Residential Portfolio have all been evaluated according to SBB's corporate responsibility principles, laws and regulations.

SBB has experience of working proactively in assessing climate risks with regard to floods by performing adaptation and resilience investments and measures in roads and water barriers to protect against future possible consequences of climate change. Before any real estate acquisition, SBB performs assessments of low points where water could possibly accumulate in heavy downpours. For the avoidance of doubt, none of the buildings in the Green Residential Portfolio was assessed to fall into the risk why we do not predict any such investments.

The annual newsletter will summarize the Green Residential Portfolio energy efficiency investments undertaken during the year. Details on reporting are further described under "Reporting and Transparency".

² Subject to yearly temperature harmonization as per Sveriges meteorologiska och hydrologiska institute (SMHI).

³ No link to fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

⁴ If rent regulations for rental residential apartment houses significantly change during the life of the bond, non-regulated residential apartment houses could be included.

Table 1. Energy efficiency investments

Action	Lowering the buildings total energy consumption, in percentage	Explanation
Geothermal heating system ⁵	30-40 per cent	When used for both heating of the premises and the tap water.
FTX-system	15-20 per cent	Recovers heat from exhaust air with 80 per cent efficiency.
FX-system	10-15 per cent	Recovers heat from exhaust air with 50 per cent efficiency.
Exhaust air heat pump	15-25 per cent	Leads heat energy from exhaust air to a heat pump.
Pressure and temperature controlled fans	5-10 per cent	Reduces ventilation unit electricity consumption by 50 per cent and ventilation air heating energy consumption by 15 per cent ⁶ .
Pressure controlled toilet pumps	1 per cent	Reduces recirculation pump electricity consumption by 30 per cent.
Building automation system ⁷	10-15 per cent	Heat regulation based on weather forecast information.
Adjustment of heating system and installation of thermostatic valves	5-10 per cent	Reduces heating energy consumption by 10 per cent.
Additional insulation of attics and roofs	5 per cent	Reduces heating energy consumption by 10 per cent.
Energy efficient windows	3-5 per cent	Reduces heating energy consumption by 5 per cent.
Efficient water taps	2 per cent	Reduces water consumption by 25 per cent and tap water heating energy consumption by 10 per cent.
LED lighting	5 per cent	Reduces lighting electricity consumption by 95 per cent.

⁵ Coefficient of performance (COP) 3.5 (meaning every added unit of electricity gives 3.5 units of heat)

⁶ Heating of ventilation air accounts for about 30 per cent of the total building energy consumption

⁷ Supervision, Control and Data Acquisition (SCADA), enabling monitoring and remote operation of properties, for instance energy consumption, ventilation and heating.