

Green Bond Framework

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About Specialfastigheter

A leader in secure facilities

Specialfastigheter Sverige AB (publ) (“Specialfastigheter” or the “Company”) owns and manages properties including *correctional facilities, juvenile care homes, courts of law and police properties*. These are all special facilities that have stringent requirements, particularly in terms of security. The Company is wholly-owned by the *Swedish state*.

Specialfastigheter offers properties that feature high security and a clear focus on sustainability for societally vital operations. The biggest customers are the Swedish Prison and Probation Service, the Swedish Police, the National Board of Institutional Care, the Swedish Armed Forces and the Defense Materiel Administration.

As of 31 December 2023, the property holdings comprised floor space of around 1.2 million square metres and a market value of SEK 42 bn. Specialfastigheter has properties in more than 60 municipalities across Sweden and around 258 employees.

Sustainable properties & construction – route to net-zero

Specialfastigheter is dedicated to managing and develop every part of the business in a sustainable manner and being at the forefront of its two most prioritised sustainability areas – *climate & energy and biodiversity*. The Company has therefore established a clear action plan to help achieve its overall climate targets:

- By 2030, reduce absolute scope 1 and 2 GHG emissions by 50% compared to base year 2018 – *validated by SBTi*
- By 2030, reduce scope 3 GHG emissions from construction per built sqm GFA by 50% compared to base year 2018 – *validated by SBTi*
- By 2030, all purchased energy 100% fossil-free
- By 2030, reduce purchased energy by 20% per sqm Atemp compared to base year 2012
- By 2045, net-zero emissions throughout the value chain

Climate and energy

Specialfastigheter’s climate calculations show that the *materials* used in construction account for most of the climate impact, with concrete and steel accounting for the highest emissions today. As a result, Specialfastigheter is working continuously to reduce GHG emissions and to make its properties more energy efficient. Some of the initiatives include:

- Ongoing development of *climate calculations* in projects aimed at steering toward reduced climate impact from construction. For example, at the Sörbyn property, instead of demolishing two buildings and building a new one, the project was able to preserve two older buildings that will undergo renovation – the project showed, among other things, a reduced climate impact (CO₂e) by nearly 50%
- Specialfastigheter is working with *climate budgets* for new construction projects and has currently finalised base values and target values for the most common building types

- All new constructions have the goal of attaining minimum *Miljöbyggnad Silver*. Through environmental certifications, Specialfastigheter can provide buildings with a good energy performance, controlled and approved materials, as well as conditions for thermal climate, good sound environment and air quality
- Ongoing company-wide *property-automation* pilot projects which aims to optimise control and enhancing energy efficiency

In addition, energy consumption is followed up *monthly* at the property level and by energy type. The Company engages with its *energy producers* on the climate impact of energy and discusses energy-saving measures with *customers*. Energy is also an important issue within projects and is discussed with *contractors and suppliers*.

Also, the Company began work jointly with the Swedish Prison and Probation Service to identify opportunities to reduce the climate impact of concrete and assessed design solutions for *replacing concrete and steel with bio-based materials*. Next stage in the study will focus on developing and testing alternative wall types that reduce climate impact.

Biodiversity

Specialfastigheter works actively with inventories of *nature conservation values (NVIs)* at properties larger than 10 hectares. The goal of these NVIs is to prepare action plans to provide better conditions for existing and future species, to protect Red List species on each property and to increase the existing biodiversity, even when no Red List species are present. By year-end 2023, *52 such inventories* had been performed and *48 nature conservation plans* created. With the additional inventories planned for 2024, *more than 50% of the Company's property holdings will be itemised*.

Further, in 2023, the Swedish-developed measurement tool *CLIMB* was launched – Specialfastigheter contributed as a project partner. The model is used to calculate and measure the positive and negative impacts on biodiversity primarily associated with changes in land use, which are important to consider in connection with construction projects. The measurement tool will be used in an internal pilot project during 2024.

Materials and waste

The Company utilises *SundaHus's* environmental database which register and classify input materials from a scale between A-D (where A is the best) based on chemical properties. Specialfastigheter's goal is to primarily use materials classified A or B or C+. Further, examples of climate-smart construction and material choices during 2023 include:

- Switching from a steel frame to a wooden frame during the design of a carpentry workshop, which resulted in a saving of 184 tonnes CO₂e
- In another project, the steel frame was redesigned, resulting in a saving of about 58 tons of steel, which entails about 158 tonnes CO₂e

Other examples include the use of *climate-friendlier concrete, climate-improved asphalt and the reuse of ceilings, bicycle racks and doors*.

To reduce *mixed waste* from construction projects, the projects have requirements on the maximum permissible percentage of mixed waste (5%), landfill (5%) and combustible waste

(15%). Efforts to reduce the volume of waste in projects include *ordering materials to measure and reusing materials*. In 2023, a pilot project was launched with the aim of establishing systematic *recycling operations* at Specialfastigheter.

Climate adaptation

Specialfastigheter works continuously with *preventive climate-adaptation measures* to secure buildings against floods, heat, landslides, forest fires and other events. A *climate-risk analysis* of the entire property holdings has been performed at the per-building level.

Specialfastigheter deems the most potentially damaging climate aspects for the Company to be torrential rain, rising water levels in lakes and watercourses, landslides and erosion. The analyses have identified several properties and buildings that should be prioritised in its ongoing efforts with mitigating climate risks and with climate adaptation. In addition, the climate-risk analysis has provided a valuable basis for maintenance plans, property development plans and ongoing projects.

Work environment & human rights

Safe work environment

Specialfastigheter has the work environment responsibility in construction projects while the *contractor*, is responsible for communicating procedures for work environment efforts, conducting work environment inspections and following up any work environment incidents in the project.

By following *ISO 45001* and by offering all managers and health and safety officers regular training, Specialfastigheter ensures that the work environment maintains a high-quality level. The Company has a *work environment committee* which e.g., conducts risk analyses and follows up on the operations' work environment efforts. In addition, health and safety officers conduct annual inspection rounds of all workplaces.

In addition, Specialfastigheter is part of the *Håll nollan* initiative, a membership association comprising organisations from the entire chain within construction and civil engineering, which work together to reduce the number of accidents in the industry.

Human rights in the supply chain

To manage risks in the supply chain in terms of human rights, Specialfastigheter has a purchasing organisation in place, which comprises a central unit that procures and signs all framework agreements. During procurement overall demands are set that are supplemented by the obligatory *Supplier Code of Conduct*. Specialfastigheter conducts regular dialogues with its contracted suppliers and these dialogues include human rights issues encompassed by the Supplier Code of Conduct such as discrimination, freedom of association, fair working conditions, forced labour, child labour and the work environment.

Also, Specialfastigheter conducts specific checks of all contracted suppliers in terms of their finances, company structure, and whether there are any legal judgments linked to the Company or to individuals in the Company's management.

Sustainability governance & reporting standards

Specialfastigheter's *Board* is ultimately responsible for sustainability governance and each year, the Board adopts company-wide policies. In the management group, the *CEO* has overall responsibility, but each *head of department* is responsible for integrating material sustainability matters in the day-to-day operations. In addition, Specialfastigheter has a sustainability manager, an environmental manager and a group of experts supporting different environmental and energy performance tasks during design, construction and maintenance of the portfolio.

Further, Specialfastigheter is certified to *ISO 14001* (environmental management system) and *ISO 27001* (information security management system) and follows *ISO 45001* (occupational health and safety management system).

The Company has both an internal *incident reporting system* and a *whistle-blower function*.

Specialfastigheter's sustainability disclosures include voluntary *EU Taxonomy reporting* (see more under section "EU Taxonomy"), *TCFD reporting*. The annual Sustainability Report is also in accordance to the *GRI Standards*.

ESG policies and guidelines

Specialfastigheter has a selection of policies, guidelines and instructions that govern sustainability and business ethics, including:

- *Code of Conduct* - based on UN Global Compact, the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and the UN Convention against Corruption
- *Equal Treatment Plan*
- *Guidelines for systematic work environment initiatives*
- *Purchasing policy*
- *Sustainability Policy*
- *Supplier Code of Conduct* - encompasses human rights issues such as discrimination, freedom of association, fair working conditions, forced labour, child labour and the work environment

The Green Bond Framework

Rationale for Green Bond issuance and Framework update

This marks the third version (first version published in 2017 and second version in 2021) of Specialfastigheter's *Green Bond Framework* (The Framework") which aims to reflect recent market developments and further align the Company's funding needs with its climate action plan. Specialfastigheter believes that green bonds will continue to serve as a helpful tool to allocate investments to assets that promotes the transition towards a low-carbon future and thus contributes to the achievement of the Paris Agreement and Agenda 2030.

Main changes from previous Framework versions includes, *streamlining number of Eligible Asset categories* to reflect largest investment volumes in the coming years. "Green buildings" category has been adjusted to reflect the *EU Taxonomy requirements* incl. Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria.

This Framework has been developed in line with *ICMA Green Bond Principles ("GBP¹") 2021*. The Framework follows the four core components of the principles including key recommendations of external review:

- Use of Proceeds
- Process for Asset Evaluation and Selection
- Management of Proceeds
- Reporting

The Framework is applicable for issuance of Green Bonds under various formats including public and private placements.

The terms and conditions of the underlying documentation for each Green Bond issued by Specialfastigheter shall provide a reference to this Framework. This Framework may over time be updated, however new versions shall have no implications for the Green Bonds that have been issued under this Framework.

Further, this Framework is applicable to the parent company and its subsidiaries. In case eligible assets are owned by joint ventures or associated companies, the value of eligible assets is to be adjusted for the share of capital owned by Specialfastigheter.

Swedbank has acted as advisor to Specialfastigheter in the establishment of this Framework.

EU Taxonomy

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

¹ [The Green Bond Principles \(GBP\) 2021 \(with June 2022 Appendix 1\)](#)

In addition, Specialfastigheter strives to make sure that *No Significant Harm* affect the environmental objectives on a best effort basis. Eligible Assets must also comply with *Minimum Safeguards* as defined by the Company's policies, guidelines and instructions that govern sustainability and business ethics.

Use of Proceeds




Allocation of net proceeds

An amount equivalent to the net proceeds from Specialfastigheter's Green Bonds shall be used to finance or re-finance, in whole or in part, a portfolio of assets ("Eligible Assets"). Eligible Assets aim to promote the transition towards a low-carbon future, as well as comply with Eligibility Criteria detailed in the table on the following page.

Eligible Assets are both capital expenditures ("CapEx") (could either be reported directly in the income statement or capitalised on the balance sheet) and/or operational expenditures ("OpEx"). CapEx does not have any requirement for look-back period, while OpEx has a requirement of maximum three-year look-back period from the time of issuance. Refinancing refers to Eligible Assets that have been financed prior the reporting year. New financing refers to Eligible Assets that have been financed during the reporting year.

Exclusions

The net proceeds of Specialfastigheter's Green Bonds will not be used to finance *fossil energy production, nuclear energy generation, gambling, or tobacco*.

Eligible Asset category ICMA GBP & UN SDGs	Eligibility Criteria	EU Taxonomy environmental objective & examples of economic activities
Green buildings UN SDGs:   	New buildings² Buildings ³ that have or will have: <ul style="list-style-type: none"> • Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly Zero-Energy Building (NZEB) according to national building regulations⁴ and meet the requirements of one of the following environmental certification schemes⁵: <ul style="list-style-type: none"> • Miljöbyggnad Silver • Nordic Swan Ecolabel • BREEAM Excellent • LEED Gold • In addition, Specialfastigheter performs a material physical climate risk screening of the building • Additional criteria for buildings larger than 5,000 sqm⁶: 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 buildings⁷ <ul style="list-style-type: none"> • Buildings with an Energy Performance Certificate (EPC) A or qualifying within top 15% of the national building stock expressed as operational PED and demonstrated by adequate evidence⁸ • In addition, Specialfastigheter performs a material physical climate risk screening of the building Major renovations⁹ <ul style="list-style-type: none"> • Primary energy savings of at least 30% within maximum of three years and validated through an EPC upon completion of the renovation 	Climate change mitigation 7.1. Construction of new buildings 7.2. Renovation of existing buildings 7.7. Acquisition and ownership of buildings

² New buildings are defined as buildings where the building application was filed after 31 December 2020.

³ Including development costs for the acquisition of land

⁴ In Sweden, thresholds set for NZEB is implemented through the BBR 29 requirements.

⁵ Certified or verified by an independent third-party.

⁶ To be implemented through Swedish legislation.

⁷ Existing buildings are defined as buildings where the building application was filed before 31 December 2020.

⁸ Top 15% PED applicable under this Framework will be updated continuously. Specialfastigheter will reference an external benchmark when determining the top 15% such as guidance by national governments or a specialist study.

Process for Asset Evaluation and Selection

Selection of Eligible Assets

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

The Green Bond Committee

Specialfastigheter's *Green Bond Committee* ("GBC") is responsible for the evaluation and selection of Eligible Assets. Members of the GBC consist of representatives from the Finance, Sustainability and Project Development departments within Specialfastigheter. The GBC will convene at least annually.

The evaluation and selection process includes the following steps:

- Any GBC member or relevant department at Specialfastigheter may propose potential Eligible Assets to be evaluated in line with the Eligibility Criteria as set out in the Framework
- The GBC confirms that proposed Eligible Assets are in line with the Eligibility Criteria as set out in the Framework
- Approved Eligible Assets will be inserted to an internal tracking spreadsheet ("Green Portfolio")
- In addition, Specialfastigheter ensures that all Eligible Assets comply with the Company's internal *ESG policies and guidelines* as well as official *national environmental and social standards*, and *Swedish laws and regulations*. These laws are monitored and enforced by the local authorities, among others, as part of obtaining the necessary permits for new build projects

Additional responsibilities of the GBC:

- Review and update the Green Portfolio of Eligible Assets at least annually
- Overseeing, approving and publishing the Green Bond Investor Report. Specialfastigheter may rely on external consultants and their data sources, in addition to its own assessments
- Reviewing the Framework and updating it to reflect changes in sustainability strategy, or regulatory developments on a best-effort basis
- 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

⁹ If the building post renovation fulfils criteria under "existing buildings" i.e. EPC A or within top 15% the market value of the building will qualify. If not, it will be limited to the renovation cost.

Management of Proceeds

Tracking of net proceeds

Equivalent to net proceeds from Specialfastigheter's Green Bonds will be tracked by using a spreadsheet where all issued amounts of Green Bonds will be inserted.

All Green Bonds issued by Specialfastigheter will be managed on a *portfolio level*. This means that a Green Bond will not be linked directly to one (or more) pre-determined Eligible Assets. The list of Eligible Assets will be monitored at least annually by the Green Bond Committee to ensure there are sufficient volume of Eligible Assets in the Green Portfolio. If for any reason an Eligible Asset ceases to comply with the requirements set out in the Framework, such asset will be removed from the Green Portfolio. The Finance Department is responsible for management of proceeds.

Allocation period

Specialfastigheter will commit to, on a best-effort basis, allocate the net proceeds from the Green Bonds to Eligible Assets within *12 months* from the issuance date.

Temporary holdings

Any unallocated proceeds will be temporary held by Specialfastigheter and placed on the Company's ordinary bank account.

Reporting

To be fully transparent towards investors and other stakeholders, Specialfastigheter will publish a *Green Bond 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 Bonds outstanding. The Green Bond Investor Report will be made available on Specialfastigheter's website at specialfastigheter.se together with this Framework.

Allocation reporting

- Total amount of Green Bonds outstanding
- The balance of the Eligible Assets in the Green Portfolio and the available headroom in the value of the Eligible Assets (if any)
- Breakdown by Eligible Asset category
- Share of proceeds used for new financing/refinancing
- Share of unallocated proceeds (if any)
- List of underlying Eligible Assets if not of confidential nature
- On a best effort basis, information on EU Taxonomy alignment (%) of the underlying Eligible Assets

Impact reporting

Specialfastigheter intends to report on quantitative impact indicators where reasonable and relevant data is available. The information may be provided on an aggregated portfolio basis because of confidentiality agreements, or numerous Eligible Assets limiting the amount of detail that can be made available. Examples of impact indicators include:

Eligible Asset category	Example of impact indicator
Green buildings	<p><u>Primary indicators</u></p> <ul style="list-style-type: none"> • Energy avoided below national building standards (new buildings) (kWh/m², or %) or other relevant benchmark (existing buildings) • Estimated avoided/reduced annual GHG emissions (kgCO₂e/m²) • The percent of total energy use supplied by on-site renewable energy operated and produced by Specialfastigheter <p><u>Secondary indicators</u></p> <ul style="list-style-type: none"> • Environmental certification

External Review

Second Party Opinion (pre-issuance)

This Framework has been reviewed by Morningstar Sustainalytics who was asked to confirm the alignment with the ICMA GBP. The independent Second Party Opinion will be available on Specialfastigheter's website at specialfastigheter.com together with the Framework.

Verification (post-issuance)

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 Specialfastigheter's Green Bonds have been allocated to Eligible Assets. This verification will take place annually until full allocation and in the event of any material developments. The verification report will be published on Specialfastigheter's website at specialfastigheter.com together with the Investor Report.