

Green Bond Framework

Dated: 2017-10-23



Specialfastigheter AB Green Bond Framework

Important notice

This document (the “**Green Bond Framework**”) contains information on Specialfastigheter Sverige AB’s (“**Specialfastigheter**”) issuance of interest-bearing notes with added environmental criteria (the “**Green Terms**”). Any such issuance by Specialfastigheter that includes the Green Terms in its loan documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be labelled a Green Bond (“**Green Bond**”). Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. The Green Bond Framework is available in both Swedish and English. In the event of any dispute or proceeding the Swedish Framework shall be used. Any issuance of notes will be subject to the version of the Green Terms in the associated loan documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Green Bond Framework on Specialfastigheter’s website.

Background

In November 2017 Specialfastigheter announced to the market that it intends to issue Green Bonds and subsequently made this document available on its website.

Specialfastigheter owns and manages everything from correctional facilities and juvenile care homes to courts of law and police properties. These are special operations that demand high standards, not least in terms of security. Our biggest customers are the Swedish Prison and Probation Service, the Swedish Police, the Swedish National Board of Institutional Care, the Swedish Armed Forces and the Swedish Defense Materiel Administration.

Specialfastigheter is owned by the Swedish state – an owner that sets clear requirements for our operations and the way we interact with our external environment. Our owner governs our assignments and financial goals, which serve as our shared foundation and guide. As an important player in society, we must be exemplary in our efforts to achieve sustainable development, and this approach applies to everything we do today and plan to do tomorrow.

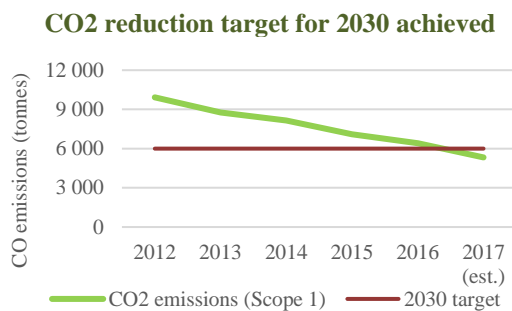
We have signed up to the UN’s Global Compact and the government’s Fossil Free Sweden initiative, and we adhere to the UN’s Universal Declaration on Human Rights as well as the ILO’s core conventions. We will continue to develop and improve upon our

efforts based on these key initiatives and principles. We report in line with GRI G4 (GRI Standards as of Financial Year 2017) and take into account UN’s Sustainable Development Goals. Sustainability is integrated into everything we do – regardless of whether it is a financial, social or environmental aspect of our work.

Sustainability is integrated within all operations at Specialfastigheter. The company’s CEO is ultimately responsible for sustainability and all members of the senior management team are equally responsible for implementing and enforcing sustainability within their respective units. For example, the Human Relations unit takes lead in the work with diversity, the Purchasing unit safeguards sustainable supply chains, the Property Management moves sustainable property management forward, the Project and Development unit works with assuring safe and nonhazardous materials and sustainable production and the three business units develop green leases. The sustainability work at Specialfastigheter is also supported by specialists within different areas and the company has an Energy Strategist as well as an Environmental Strategist. The Communication unit is responsible for co-ordinating and communicating the company’s sustainability work.

During many years we have made substantial progress financially and environmentally, and

sustainability is now a natural part of our daily work in these areas, with energy efficiency, long leases, green lease appendices, collaboration with suppliers and proactive financial management representing just a few examples. We succeeded in reducing CO2 emissions – our most important environmental target – by 9.4% year-on-year in 2016. By 2030, we aim to have reduced emissions by 40% compared with 2012. We had also set an ambitious target for energy use – a target that we did not fully achieve despite major commitment to this issue, and given that external factors affected this result, we are therefore satisfied and intend to maintain our ambitious environmental targets.



The Scope 1 (direct emission) target for 2030 is very likely to be reached in 2017.

Part of creating a sustainable property portfolio is to obtain environmental certification of our buildings based on energy, indoor environment and materials. We work with the Sweden Green Building Council's certification system (Miljöbyggnad) for new builds and redevelopments. The high security standards our buildings are subject to make it difficult for us to complete the final certification stage since this requires an external review, and for security reasons we usually cannot grant access to all information about our properties. For this reason, we prepare our properties as though they were to be certified. We then decide on certification on a case-by-case basis. Usually our decision is not complete the final stage of having an independent party conduct a review. However, we will complete the certification

Linköping, 2017-11-08

Åsa Hedenberg
 CEO
 Specialfastigheter

Kristina Ferenius
 CFO
 Specialfastigheter

Göran Cumlin
 Head of Properties &
 Development

process for our new district court project in Lund.

Specialfastigheter operates in a material intensive industry. A systematic method for how we select and use materials is an important part of our sustainability efforts. We record all the materials used in new construction, extensions and redevelopments in an environmental database (Sundahus). Among other things, this helps us see if a material contains substances hazardous to health or the environment. It also makes it easy to retrieve information about where a material is located in our buildings should it come into question in the future. Regarding materials, our standards are higher than those under the Sweden Green Building Council's for certifying buildings (Miljöbyggnad) and we also document electrical, ventilation, pipework, plumbing and control systems at component level. We guide our suppliers through material selection requirements and material documentation. We also make sure waste management follows the requirements we have been set.

More information about our work with sustainability is available on our website.

Specialfastigheter will strive to monitor the development of the Green Bond market to continually advance the Green Terms. As such the Green Bond Framework may be updated from time to time to reflect current market practices. In establishing the terms in this framework Specialfastigheter has sought to comply with the Green Bond Principles (June, 2017) as well as the current best market practice.

Specialfastigheter has worked together with Handelsbanken to develop the Green Bond Framework. Sustainalytics has provided a second opinion on the Green Terms, which is publicly available on Specialfastigheter's website (www.specialfastigheter.se).

The Green Terms

Methodology and Scope

Eligible Projects and Assets are green assets identified within Specialfastigheter’s existing assets and ongoing development that support the transition to low carbon intensity and sustainable development. All Eligible Projects and Assets shall contribute to one or more of the following set of global criteria:

1. **Mitigation (M):** Reduce harmful emissions of greenhouse gas, either by improving and transitioning existing assets through meaningful upgrades and retrofits or by investing in new assets utilizing low carbon intensive technology and environmentally sound solutions.
2. **Adaptation (A):** Adaptation investments to better withstand the effects brought on by climate change, improving the resilience to climate change and expected changes in the micro-climate and local environment, for instance, increased rainfall, heightened risk of flooding or sea level rise.
3. **Environment and eco-systems (E):** Support environmental investments with a positive environmental impact other than the direct mitigation of climate change (max 10 % of net proceeds).

Alignment with the UN Sustainable Development Goals

The UN Sustainable Development Goals (“SDG”) were adopted by the United Nations general assembly on September 25th 2015. There are 17 global goals with 169 defined underlying targets. The chart on the right side highlights each of the 17 goals that are incorporated and targeted by the Use of Proceeds in the Green Bond Framework.

The UN Sustainable Development Goals



This framework mainly targets the following SDG's



1. Eligible Projects and Assets (Use of Proceeds)

The net proceeds from the issuance of Green Bonds will be used by Specialfastigheter to, in whole or in part, finance a select pool of “Eligible Projects and Assets” that promote environmental matters in different areas. The net proceeds will be used exclusively on project and assets that comply with the categories and criteria’s set out below. The net proceeds will not be allocated or linked 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. The ambition is to allocate the majority of the net proceeds to new projects (defined as projects and assets financed within 12 months from completion).

Use of Proceeds Categories

Green buildings (M/A): Investments in environmentally accredited and energy efficient properties.

Due to the confidential nature of high security properties an official accreditation of the property via the Sweden Green Building Council can be impossible. In such cases Specialfastigheter will provide a statement from an accredited Environmental Consultant that the property meets the requirements within the Miljöbyggnad building certification scheme (table 1). The technical requirements and steps in assessing the building are the same.

New properties

Development or acquisition of new properties that have, or will, receive (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification of **Miljöbyggnad ”Guld”** or an Environmental Consultant Certification verifying that the building meets the standards and applicable thresholds. The property must also have **30% lower energy use** than required by the applicable national building code (BBR).

Existing properties

Major renovation or otherwise completed properties that have, or will receive, (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification of **Miljöbyggnad ”Silver”**, or better, or an Environmental Consultant Certification verifying that the building meets the standards and applicable thresholds.

- Major renovation requires an overall **reduction in energy use of 30%** or achieve an energy use in line with the applicable national building code (BBR) for newly built properties.
- Existing properties require a **20% lower energy use** than required by the applicable national building code (BBR).

Table 1

Miljöbyggnad Accreditation	Low security properties	High security properties
Target grade for new properties	<i>Miljöbyggnad ”Guld” (the highest grade)</i>	
Target grade for existing properties	<i>Miljöbyggnad ”Silver”</i>	
Third party SGBC accredited assessor	Yes	
Technical manuals	<i>Relevant version applied, for instance Miljöbyggnad 3.0.</i>	
- Energy	<i>Fully applied (all indicators)</i>	
- Indoor environment	<i>Fully applied (all indicators)</i>	
- Materials	<i>Fully applied (all indicators)</i>	
Final accreditation	“Official” (Via SGBC)	Via Environmental Consultant
External verification by accredited assessor	After 2 years	All indicators, except tenant survey
Accreditation Transparency	<i>Public, via SGBC</i>	<i>Public, via statement</i>
Green Bond impact reporting	Yes (same transparency)	

Energy efficiency (M): Investments in the existing portfolio of properties that target a lower overall energy use and an improved environmental footprint. This could include, for instance, the installation of heat pumps, district heating/cooling, energy-efficient lighting, SCADA-investments (IT-technology for monitoring, efficient management and remote operation), energy efficient ventilation systems or

improvements in thermal insulation. Only directly associated expenditure (e.g. material, installation and labor) is eligible for financing. Specialfastigheter will ascertain the following:

- a) High estimated energy savings in the targeted area for physical installations (min. 25%).
- b) Minimize long term negative climate impact and potential rebound effects.
- c) Minimal negative climate impact from the technology used.

Environmentally sustainable management of living natural resources (M/E): Investments in sustainable forestry projects, including development, management, financing or refinancing of forest assets owned by Specialfastigheter. The forest assets must have a valid and up to date sustainable forestry certification from either FSC or PEFC.

Renewable energy (M): Investments in solar power, bio-power (wood-pellets or RME) or geothermal power, either on an existing building or as a stand-alone investment.

Sustainable water and wastewater management: Investments in the processing of wastewater and supply of fresh water, such as upgrades, efficiency improvements (including reduction of water usage), capacity expansions, new network infrastructure or new build within Specialfastigheter's water and waste water management. Wastewater treatment is carried out at certain properties owned and managed by Specialfastigheter, which is necessary to avoid negative environmental impacts from, for instance, release of nitrogen, phosphorus and refuse. The supply of clean drinking water is important to reduce the risk of sickness and water born disease.

Definitions

"Miljöbyggnad Guld" means the rating Guld within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

"Miljöbyggnad Silver" means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

"Environmental Consultant" means a certified assessor in the relevant environmental building schemes defined above, such as HIFAB, Ramböll and WSP, or similar party with the relevant expertise and certification.

"Environmental Consultant Certification" means a statement from the Environmental Consultant verifying that the building meets the requirements of Miljöbyggnad at the communicated grade.

"SGBC" means the Sweden Green Building Council, owner of the Miljöbyggnad certification scheme.

"SCADA": A system for supervision, control and data acquisition (SCADA), that enables monitoring and remote operation of properties, for instance energy use, ventilation and heating.

"FSC" means the global certification system for forests and forest products developed by the Forest Stewardship Council. FSC has a stated goal of environmentally sound, socially responsible and economically viable forestry.

"PEFC" means the global certification system for forests developed by the Program for the Endorsement of Forest Certification. The PEFC promotes sustainable forest management through third party certification according to the PEFC standard.

2. Process for Project Evaluation and Selection

A group with representatives from Real estate management and Project and development will identify and nominate projects and assets within the eligible categories to a committee consisting of the CEO, the CFO, the Head of Real Estate and the Head of Operation and Technology. The committee will evaluate the nominated assets and projects and ensure compliance with the Green Terms. A consensus decision by the committee is required to allocate net proceeds to Eligible Projects and Assets. The projects and assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Specialfastigheter. The decision by the committee will be documented.

To ensure legitimacy in this process a list of all Eligible Projects and Assets that meet the Green Terms will be kept by Specialfastigheter. The list will be used as a tool to determine if there is a current or expected capacity to issue a Green Bond.

3. Management of Proceeds

The net proceeds of any issue under the Green Bond Framework will be credited to a special account (the “**Green Account**”). Funds may be deducted from the Green Account in an amount corresponding to the financing or refinancing of Eligible Projects and Assets that have met the Green Terms, or to repay a Green Bond. While the Green Account has a positive balance, the Treasury of Specialfastigheter will manage the funds as a part of its liquidity reserve. If a Project or Asset no longer qualifies according to the Green Terms the funds will be either reallocated to projects and assets that meet the Green Terms or returned to the Green Account.

The Green Account ensures strong monitoring and tracking of the Use of Proceeds. The Finance Department will be responsible for the allocation of the net proceeds from the issuance of Green Bonds to the relevant and approved Eligible Projects and Assets and to keep record of the purpose of any transfers on the Green Account. The allocation of net proceeds may not exceed the market value or investment expenditure, as applicable, of an eligible project or asset less any external debt financing such projects or assets.

If the Green Account has a positive balance the unallocated funds may be invested in short term interest bearing securities according to Specialfastigheter’s Financial Policy, while pending investment in Eligible Projects and Assets. At the time of establishing the Green Terms the Financial Policy allowed investments in Swedish government bills (including related entities), Swedish municipal notes (including related entities) and covered bonds or commercial paper issued by a Nordic bank (min. A-flat rating from Standard & Poor’s or an equivalent rating from Moody’s or Fitch).

4. Reporting and Transparency

Specialfastigheter will publish a yearly report on its external website (www.specialfastigheter.se) that will detail the allocation of green net proceeds and adherence to the Green Terms (the “**Reporting**”). The first such Reporting is expected to take place in April 2018 and will be available in Swedish.

The Reporting will contain a list of all Eligible Projects and Assets that have been financed with Green Bonds, a summary of Specialfastigheter’s activities in the past year as pertains to Green Bonds as well as information regarding Eligible Project and Asset’s adherence to the relevant criteria.

Allocation disclosure

- For **Green Buildings** the Reporting will disclose the sum of allocated net proceeds to each project or asset, the aggregate market value (or investment cost, as applicable) and the sum of other external debt financing such projects and assets.
- For the categories **Energy efficiency, Renewable Energy and Environmentally Sustainable Management of Living Natural Resources** the total allocation of green net proceeds to each category will be disclosed.
- The sum of outstanding Green Bonds and the Green Account balance (including any short term investments).
- The proportion of net proceeds allocated to new projects (defined as projects and assets financed within 12 months from completion).
- All data shall be from the last of December in the previous year.

The Reporting will also contain a disclosure of a select set of asset level indicators and measurements. The data will be provided in a table format and disclosing, where and when available, the following indicators and measurements:

Estimates and in-use data: If an impact metric is not yet available, for instance the energy use of a Green Building that is under construction but not yet operational, Specialfastigheter will strive to provide estimates of future performance levels once the project/asset is operational.

Green buildings

- i. Environmental certification of the building and whether it is accredited via SGBC or an Environmental Consultant.
- ii. Energy consumption disclosed by absolute consumption (MWh) and intensity (kWh per square meter) aTemp.
- iii. Calculated carbon footprint disclosed by absolute emissions (tonnes) and intensity (kilograms per square meter). The greenhouse gas emissions are monitored annually by Specialfastigheter in accordance with the Greenhouse Gas Protocol.
- iv. The percent of total energy use supplied by on-site renewable energy operated and produced by Specialfastigheter.
- v. The share (%) of green leases (based on total let area) signed with tenants.

Energy efficiency

Each yearly report will include at least 2 examples of Energy efficiency that have been financed with green net proceeds. Given the number of project types that qualify under the category the KPI's will not be disclosed in the framework. Specialfastigheter will emphasize energy and carbon savings, where applicable, as relevant performance metrics.

- i. Carbon savings (aggregated, tonnes per year)
- ii. Energy savings (aggregated, MWh per year)

Renewable energy

- i. For an installation of a renewable energy on a real estate asset the percent of the property's total energy use supplied by the installation, the MWh/year and the estimated yearly greenhouse gas savings will be disclosed.
- ii. For an investment in a stand-alone renewable energy project the MWh/year and the estimated yearly greenhouse gas savings will be disclosed.

Environmentally sustainable management of living natural resources

- i. Sustainable Forestry certification scheme.
- ii. Hectares (size of land) of certified forest holdings.

Sustainable water and wastewater management

- i. Water and/or wastewater capacity (supply and/or treatment) in cubic meters per year.

Third party annual review

The auditor of Specialfastigheter, or a similar third party appointed by Specialfastigheter with the relevant expertise and experience, will investigate and report whether the Green Bond net proceeds have been allocated to the projects and assets that Specialfastigheter has communicated in the Reporting and that the Green Buildings comply with the environmental certification criteria described in the Green Terms. The conclusions will be provided in a signed statement, which will be published on Specialfastigheter's website.

Dedicated website

Specialfastigheter will provide a dedicated webpage at its corporate website (www.specialfastigheter.se) where investors can find information regarding Specialfastigheter's Green Bonds.

Policy documents that govern Specialfastigheter's Environmental and Sustainability work

1	The State's Ownership Policy and Guidelines for State-owned Enterprises	Public	Link
2	Sustainability Policy (Swedish)	Public	Link
3	Energy and Environmental Goals (Swedish)	Public	Link
4	Annual report with integrated Sustainability Reporting 2016 (Swedish)	Public	Link
5	Supplier Code of Conduct (Swedish)	Public	Link
6	Guideline: Projection	Non-public	
7	Guideline: List of Environmental Laws	Non-public	
8	Instruction: Environmental Programme	Non-public	
9	Instruction: Energy- and Environment Plan	Non-public	
10	Instruction: Secure Media Supply	Non-public	
11	Instruction: Water Testing at own Premises	Non-public	
12	Instruction: Coolants	Non-public	
13	Instruction: Waste & Waste Management	Non-public	
14	Instruction: Permit to Transport Waste and Hazardous Waste	Non-public	
15	Instruction: Radon Measuring	Non-public	
16	Instruction: Framework for Legionella Control	Non-public	
17	Green Lease Agreement	Non-public	