

SPECIALFASTIGHETER GREEN BOND FRAMEWORK

SECOND OPINION BY SUSTAINALYTICS

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1. INTRODUCTION

Specialfastigheter Sverige AB ('Specialfastigheter') is a Swedish state-owned real estate company that constructs, owns, and manages high-security properties. Its property holdings amount to approximately 1.1 million square metres, with a market value of SEK 24bn (USD 2.87bn)¹ and span across three business areas – the Prison and Probation Service, Defence and Judicial System, and Institutional Care and Other Special Operations. Specialfastigheter oversees a range of property types, such as juvenile care homes and courts of law, and its largest 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 Defence Materiel Administration.²

As a state-owned entity, Specialfastigheter meets stringent environmental requirements and seeks to position itself as a sustainability leader in the Swedish real estate industry and broader society. In line with this mandate, Specialfastigheter has developed a Green Bond Framework³ under which it intends to issue green bonds. Proceeds of the bonds will be used to finance or refinance, in part or in whole, projects intended to improve the environmental performance of its property holdings. Specifically, proceeds will be allocated to projects relating to: (i) Green buildings; (ii) Energy efficiency; (iii) Environmentally sustainable management of living natural resources; (iv) Renewable energy; and (v) Sustainable water and wastewater management.

Specialfastigheter has engaged Sustainalytics to provide a second opinion on the Specialfastigheter Green Bond Framework and on the framework's environmental credentials. As part of this engagement, Sustainalytics held conversations with various members of Specialfastigheter's Treasury, Environment and Communications teams to understand the sustainability impact of their business activities and planned use of proceeds, as well as management of proceeds and reporting aspects of Specialfastigheter's Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information that has been shared by the issuer.

This document contains Sustainalytics' opinion on the Specialfastigheter Green Bond Framework and should be read in conjunction with that framework.

¹ Specialfastigheter Q3 – 2017 Report - http://www.specialfastigheter.se/wp-content/uploads/2017/10/Del%C3%A5rsrapport_Q3_2017.pdf

² Specialfastigheter Annual Report 2016 - http://www.specialfastigheter.se/wp-content/uploads/2017/05/SPF_2016_ENG.pdf

³ Available at: <http://www.specialfastigheter.se/grona-obligationer>

2. SUSTAINALYTICS' OPINION

Section 1: Sustainalytics' Opinion on the Green Bond Framework

Overall, Sustainalytics is of the opinion that the Specialfastigheter Green Bond Framework is credible, robust, and well-aligned with the four pillars of the Green Bond Principles.⁴ Sustainalytics views the following elements of the Green Bond Framework positively:

- The eligible use of proceeds categories (i.e. green buildings, energy efficiency, renewable energy, sustainable water and wastewater management, and environmentally sustainable management of living natural resources) are recognized by the Green Bond Principles as project categories with clear environmental benefits, and Sustainalytics views these projects as having a positive impact (for additional information on impact see Section 3).
- Specialfastigheter's Green Buildings eligibility criterion is based on the Swedish Green Building Council's (SGBC) Miljöbyggnad certification scheme. Sustainalytics has conducted an evaluation of this certification standard (see Appendix 1), and views the focus on meeting the top level of certification as a leading practice. Additionally, Specialfastigheter maintains an environmental database in which it records all materials used in new construction and redevelopment. Sustainalytics considers this to be additional evidence of the company's leading green building practices and commitment to sustainability.
- Specialfastigheter's eligible project evaluation and selection process involves members from various functional areas of the organization. Representatives from the Real Estate Management, and Project and Development divisions will nominate eligible projects to a committee, which then assesses a project's compliance with the Green Bond Framework. This committee, which includes the CEO and CFO among other members of senior management, is required to reach a consensus decision before proceeds can be allocated to projects. Sustainalytics regards the involvement of senior management in this selection committee to be a leading practice.
- The management of proceeds by Specialfastigheter's Finance department through a designated "Green Account" aligns with the recommendations of the Green Bond Principles 2017.
- The framework demonstrates a strong commitment to allocation and impact reporting. Sustainalytics considers the external verification of net proceeds allocation and the publication of this information on the company's website as market best practice. In addition, the company's impact reporting framework is robust, with green building projects in particular, having a comprehensive set of impact metrics. These include energy consumption (MWh), energy intensity (kWh/sqm), absolute carbon emissions (tonnes), and carbon intensity (g/sqm).

Alignment with Green Bond Principles

Sustainalytics has determined that the Specialfastigheter Green Bond Framework aligns to the four pillars of the Green Bond Principles. For detailed information please refer to Appendix B: Green Bond Programme External Review Form.

⁴ "The Green Bond Principles 2017", dated 2 June 2017, issued by the International Capital Market Association (ICMA)

Section 2: Sustainability Performance of the Issuer

Contribution of the proceeds of the green bonds to Specialfastigheter's sustainability strategy

Specialfastigheter has integrated sustainability into its broader business strategy and pursues ambitious targets that often surpass regulatory mandates. Some notable aspects of the company's approach to sustainability include:

- All members of senior management are responsible for implementing sustainability within their respective business divisions, with the CEO being ultimately accountable for sustainability.
- Specialfastigheter produces an integrated Annual Report in accordance with GRI Standards, further highlighting how sustainability is embedded within its business. In addition, the sustainability aspects of the report were audited by a third-party, which Sustainalytics considers to be a leading practice and exemplify Specialfastigheter's sustainability leadership.
- Specialfastigheter is a signatory of the Fossil Free Sweden Initiative, which aims to make Sweden one of the world's first fossil free welfare countries.⁵ In addition, the company specifies that it aligns its sustainability efforts with three UN Sustainable Development Goals: 7. Affordable and Clean Energy, 12. Sustainable Consumption and Production, and 15. Life on Land.
- The company has established a comprehensive set of strategic environmental and energy targets for 2030. For example, Specialfastigheter aims to have green leases incorporated into all new and existing tenancy agreements by 2030.
- Specialfastigheter actively tracks multiple environmental KPIs for its properties, such as emissions intensity and total energy use, and sets targets for improvement. Sustainalytics recognizes the company's continuous improvement on the environmental performance of its property portfolio. For example, by 2016 the company reduced the total CO₂ emissions of its property holdings by 35.4% compared to 2012 levels, and aims to reach a 40% reduction by 2030.⁶
- The corporate sustainability policy extends to the company's suppliers. Sustainalytics views the Supplier Code of Conduct as demonstration of Specialfastigheter's commitment to sustainability across its value chain.⁷

Overall, Sustainalytics considers Specialfastigheter well-positioned to issue green bonds given its leading sustainability practices. Furthermore, the issuance of green bonds aligns with the company's sustainability strategy and will contribute to the realization of its environmental and energy targets for 2030.

Well positioned to address common environmental and social risks associated with the projects

Specialfastigheter complies with the Swedish Corporate Governance Code, which mandates companies to implement risk control and reporting mechanisms to manage the risks associated with their operations.⁸ Specialfastigheter's risk management system identifies, analyses, and manages company-wide risks, including environmental and social risks for large projects. The risk analysis assigns to each risk an overall risk level from "Low" to "Very high" based on its probability and consequence. The risk

⁵ <http://fossilfritt-sverige.se/in-english/>

⁶ Specialfastigheter Annual Report 2016.

⁷ Specialfastigheter Supplier Code of Conduct.

⁸ The Swedish Corporate Governance Code December 2016.

management measures undertaken to control a particular risk are also evaluated on an efficiency scale ranging from “Very good efficiency” to “Unacceptable efficiency”. Sustainalytics considers this evaluation of risk management efforts to be a market best practice. Moreover, the alignment of all Specialfastigheter’s properties with the Miljöbyggnad green building criteria further ensures that environmental risks associated with the buildings are managed. Overall, Sustainalytics is of the opinion that Specialfastigheter has a comprehensive risk management framework in place, and therefore, is well positioned to manage the environmental and social risks associated with the green bond projects.

Section 3: Impact of Use of Proceeds

Contribution towards the achievement of national and EU climate-related targets

The real estate sector will play a significant role in realizing Sweden’s ambitious greenhouse gas emissions reduction targets. The country aims to cut emissions by 40% by 2020 (all targets compared to 1990 levels) and ultimately achieve no net societal emissions by 2050.⁹ These goals feed into the broader EU target of reducing GHG emissions by 80% by 2050, which includes a 90% cut in emissions from houses and buildings.¹⁰ With regard to energy efficiency, Sweden has pledged to reduce energy intensity by 20% by 2020, mirroring the EU target. In addition to the deployment of renewable energy technologies and energy efficiency measures in new construction, the International Energy Agency specifically recommends Sweden to leverage renovations to existing and public buildings.¹¹ Given this context, Sustainalytics is of the opinion that Specialfastigheter’s green bond proceeds are well-positioned to support Sweden’s national priorities and will render positive environmental impacts. The green buildings, energy efficiency, and renewable energy investment categories, in particular, will support the achievement of Swedish and broader EU climate-related targets for 2050.

Green buildings – demonstrating leading environmental performance

Eligible green building projects will be Miljöbyggnad certified, with new properties meeting ‘Gold’ level and existing properties meeting or surpassing ‘Silver’ level. Sustainalytics has conducted an evaluation of the Miljöbyggnad certification, and considers the scheme to be credible (see Appendix 1). Sustainalytics regards Specialfastigheter’s commitment to achieving ‘Gold’ level certification for new buildings to be a leading practice, as ‘Silver’ is a more common level of certification in the Swedish real estate market. Sustainalytics also concluded that both ‘Gold’ and ‘Silver’ levels have ambitious environmental requirements, more comprehensive than Sweden’s already stringent new construction building regulations (BBR).¹²

While Specialfastigheter will obtain official SGBC accreditation for low security properties in the eligible projects portfolio, the company will be unable to grant external SGBC reviewers liberal access to high security properties as part of the final stage of certification. Specialfastigheter has confirmed that in such cases, it will enlist an accredited environmental consultant to verify these properties meet the relevant

⁹ http://www.iea.org/publications/freepublications/publication/Sweden2013_free.pdf

¹⁰ https://ec.europa.eu/clima/policies/strategies/2020_en

¹¹ http://www.iea.org/publications/freepublications/publication/Sweden2013_free.pdf

¹² SGBC Environmental Building 3.0 Methodology

Miljöbyggnad requirements. Considering the limitations that stem from Specialfastigheter's line of business, Sustainalytics is comfortable with this alternative, as the third-party verification will be provided by Miljöbyggnad licensed assessors from SGBC member organizations, such as HIFAB, Ramböll, and WSP.

Sustainalytics also highlights Specialfastigheter's materials requirements, which are more stringent than those of the Miljöbyggnad certification.¹³ For example, while Miljöbyggnad requires companies to record only certain categories of materials, Specialfastigheter records all materials used in construction, extensions, and developments in an environmental database, in order to monitor whether any of the materials used in its operations are harmful to environmental or human health. Moreover, when selecting materials, Specialfastigheter evaluates the cost, existence of components hazardous to environmental or human health, and embedded CO₂ emissions of a given material. Sustainalytics considers Specialfastigheter's materials requirements and evaluation processes to surpass market best practices.

The importance of managing bio-power renewable energy investments

Specialfastigheter intends to include wood- and vegetable oil-based bio-power investments in the renewable energy projects category, both of which are classified as 'renewable energy' by the European Commission.¹⁴ The EU targets 20% share of renewables in the EU's energy mix by 2020. Bioenergy will play a significant role in meeting this target as it is projected to account for 12% of total EU energy consumption by 2020. The Swedish Energy Agency (Energimyndigheten) also demonstrated support for bioenergy.¹⁵ However, the mass adoption of this type of solution may have unintended consequences as demand for biomass resources is surpassing current sustainable supply, thus generating debate around the impacts associated with this energy source.¹⁶

Through consultation, Sustainalytics understands that Specialfastigheter only purchases wood pellets from Swedish suppliers to curtail the supply chain emissions associated with biomass. These include both small local suppliers and larger suppliers, such as Scandbio or SCA. Furthermore, a significant portion of these suppliers have FSC or PEFC certifications for sustainable forestry operations, as well as ISO 14001 environmental management verification for manufacturing operations. Given this additional information, Sustainalytics is confident that Specialfastigheter has strong guidelines to mitigate the unintended consequences bio-power energy investments, ensuring that the use of proceeds will render environmental benefits.

¹³ Sustainalytics has reached this conclusion after assessing confidential information provided by the issuer.

¹⁴ <http://ec.europa.eu/eurostat/web/environmental-data-centre-on-natural-resources/natural-resources/energy-resources/energy-from-biomass>

¹⁵ <http://www.energimyndigheten.se/fornybart/bioenergi/>

¹⁶ According to a 2017 Chatham House report, while the EU is the world's largest wood pellet producer, production and intra-EU trade is failing to meet the rapidly growing demand. This has resulted in some EU states importing pellets from the US, Canada, and Russia, which exacerbates the supply-chain emissions associated with biomass and raises questions around the carbon neutrality of wood-based energy. The climate impact of woody biomass energy production also depends on the origin of the raw materials. For example, the use of waste products such as sawmill residues have less of an impact than harvesting raw material from commercial wood operations. <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2017-02-23-impacts-demand-woody-biomass-climate-forests-brack-final.pdf>

Contribution to the United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. In Sustainalytics' view Specialfastigheter's Green Bond Framework will mainly advance the following SDG goals and targets:

Use of Proceeds	UN SDG	SDG target
Sustainable water and wastewater management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
Renewable energy, Energy efficiency Green Buildings	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings, Energy efficiency, Renewable energy	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. 13.2 Integrate climate change measures into national policies, strategies and planning. ¹⁷
Environmentally Sustainable Management of Living Natural Resources	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

Conclusion

Specialfastigheter has developed a Green Bond Framework under which it intends to issue green bonds. Proceeds of the bonds will be used to finance or refinance, projects intended to improve the environmental performance of the company's property holdings. Specifically, proceeds will be allocated to projects relating to: (i) Green buildings; (ii) Energy efficiency; (iii) Environmentally sustainable management of living natural resources; (iv) Renewable energy; and (v) Sustainable water and wastewater management. The eligible categories are recognized by the Green Bond Principles as project categories with clear environmental benefits, and Sustainalytics views these projects as having a positive impact.

Furthermore, Sustainalytics is of the opinion that the use of green building certification schemes, and in particular, Specialfastigheter's commitment to meeting the top level of certification for new properties (i.e. 'Gold') are leading practices. Additionally, Specialfastigheter maintains an environmental database in which it records all materials used in new construction and redevelopment. Sustainalytics considers this to be additional evidence of the company's commitment to sustainability.

¹⁷ Sustainalytics recognizes that SDG13 targets governmental institutions. Considering that Specialfastigheter is fully state-owned, and the importance of buildings to achieving Sweden's climate action targets, Sustainalytics considers that Specialfastigheter contributes to this goal.

Sustainalytics is confident that Specialfastigheter's green bonds will contribute positively to Specialfastigheter's integrated sustainability strategy. Furthermore, the framework supports the improvement of the environmental performance of the Swedish real estate sector, thereby advancing national and regional climate-related targets, and advances SDGs 6, 7, 13 and 15.

Finally, the Specialfastigheter Green Bond Framework demonstrates a strong commitment to allocation and impact reporting, and the comprehensive set of impact reporting metrics support transparency around the environmental performance of eligible projects.

Based on the above, Sustainalytics is confident that Specialfastigheter is well positioned to issue green bonds and that Specialfastigheter's Green Bond Framework is credible, in line with market best practice, and well-aligned with the four pillars of the Green Bond Principles.

APPENDICES

Appendix 1: Real Estate Certification Systems

	Miljöbyggnad 3.0	BREEAM	LEED
Background	Swedish Certification System from SGBC; Used for new and existing buildings and extensions; Used for residential and commercial buildings; Version 3.0 launched in 2017 and will be mandatory for new registrations starting January 1, 2018.	British Certification System; Adapted to Swedish regulations (BREEAM SE) used in Sweden since 2013; Used for new, refurbished and extension of existing buildings	US Certification System for residential and commercial buildings used worldwide; LEED covers the design, construction, maintenance and operation of buildings.
Levels/Grades	Gold Silver Bronze	Outstanding Excellent Very Good Good Passed	Platinum Gold Silver Certified
Areas of Assessment	Energy Indoor Environmental Materials	Management Health and Wellbeing Energy Transport Water Materials Waste Land Use and Ecology Pollution Innovation	Sustainable Sites Water efficiency Energy and atmosphere Materials and resources Indoor environmental quality Innovation in Design
Comparable Issues to reach M. Silver or BREEAM Very Good	<p><u>Daylight:</u> Daylight factor of more than 1,2%</p> <p><u>Thermal Climate Summer and Thermal Climate Winter:</u> PPD smaller or equal to 15%.</p> <p><u>Moisture Prevention:</u> Moisture Proof design according to Bygga F</p> <p><u>Noise Protection:</u> equal to or 50% above the Parameters Class B</p>	<p><u>Daylight:</u> is not a minimum requirement, at least 80% of the floor area is adequately daylight with an average daylight illuminance of 200 lux for 2650 hours per year. (they also have a daylight factor 2,1 and 2,2)</p> <p><u>Occupants Thermal Comfort:</u> is not a minimum requirement, to receive 1 credit PPD has to be assessed and</p>	<p><u>Daylight:</u> is not a minimum requirement, achieve daylighting in at least 75% of the regularly occupied spaces.</p> <p><u>Thermal Comfort:</u> not a minimum requirement, provide individual comfort controls for 50% of the building occupants Indoor Chemical and</p> <p><u>Pollutant Source Control:</u> no minimum requirement, design to minimize and control the</p>

		<p>cannot fall within levels defined as local dissatisfaction.</p> <p><u>Moisture Control</u>: is not a minimum requirement, Moisture safety planning according to Bygga F or equivalent.</p> <p><u>Acoustics</u>: no minimum requirement, for one credit all acoustic parameters for sound class C. For 2 credits, all acoustic parameters for Sound Class B.</p> <p><u>Avoidance of hazardous substances</u>: no minimum requirement, Construction Material Assessment System has been used and substances documented</p>	<p>entry of pollutants into buildings and later cross contamination of regularly occupied areas</p>
<p>Validity of Certification</p>	<p>The certification is valid for up to 10 years</p>	<p>BREEAM for new constructions is a one-time certification valid for the lifetime of a building. BREEAM in-use is for existing buildings and it must be re-certified annually. Certificates may be renewed subject to confirmation by the client that no significant changes have been made to the asset or the occupying organizations' policies. After two renewals have been completed, a full reassessment is required.</p>	<p>The LEED certification expiration policies require that a project team undertakes some action within a specified amount of time following the award of certification or other official determination issued by the Green Building Certification Institute. If a project team does not complete these requirements, the certification shall expire.</p>

Appendix 2: Green Bond Programme External Review Form

Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Specialfastigheter Sverige AB

Green Bond ISIN or Issuer Green Bond Framework Name: Specialfastigheter Green Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: 7 November 2017

Publication date of review publication: 7 November 2017

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Green Bond Framework, XX November 2017, available at <http://www.specialfastigheter.se/grona-obligationer> and Second Opinion Document above.

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The proceeds of the green bonds may be allocated to the following green project categories:

- (i) Green buildings: both new property construction (that meet or surpass the criteria for Miljöbyggnad “Gold”) and existing property renovations (that meet or surpass the criteria for Miljöbyggnad “Silver”),
- (ii) Energy efficiency in the property portfolio,
- (iii) Renewable energy,
- (iv) Sustainable water and wastewater management, and
- (v) Environmentally sustainable management of living natural resources.

All the eligible categories are recognized by the Green Bond Principles as project categories with clear environmental benefits, and Sustainalytics views these projects as having a positive impact.

Furthermore, Sustainalytics is of the opinion that the use of third-party green building certification schemes and Specialfastigheter’s commitment to meeting the top levels of certification as a leading practice. Additionally, Specialfastigheter maintains an environmental database in which it records all materials used in new construction and redevelopment. Sustainalytics considers this to be additional evidence of the company’s leading green building practices and commitment to sustainability.

Overall, Sustainalytics is confident that Specialfastigheter’s green bonds will contribute positively to the company’s integrated sustainability strategy. Furthermore, the framework supports the improvement of the environmental performance of the Swedish real estate sector, thereby advancing national and regional climate-related targets, and contributes to SDGs 6, 7, 13 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input checked="" type="checkbox"/> Other (please specify): Green Buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Specialfastigheter's eligible projects and assets evaluation and selection process involves members from various functional areas of the organization. Representatives from the real estate management and project and development divisions will nominate eligible projects to a committee, which then assesses a given project's compliance with the framework. This committee, which includes the CEO and CFO among other members of senior management, is required to reach a consensus decision before proceeds can be allocated to projects. Sustainalytics regards the senior management involvement in this committee to be a leading practice.

Furthermore, Sustainalytics is of the opinion that Specialfastigheter has a comprehensive risk management framework in place, and therefore is well positioned to manage the environmental and social risks associated with the projects financed.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|---|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds will be credited to a 'Green Account', which will be managed by the Treasury department at Specialfastigheter as part of its liquidity reserve while the account has a positive balance. The Finance department will be responsible for the allocation of net proceeds to eligible projects, and in the event that a project no longer qualifies under the eligibility criteria, the funds will be either reallocated to projects and assets that meet the eligibility criteria or returned to the Green Account. This process aligns with the recommendations of the Green Bond Principles 2017.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds

- Other (*please specify*):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

The framework demonstrates a strong commitment to allocation and impact reporting.

Allocation Reporting

An external auditor will report annually verifying that the net proceeds have been allocated to the projects and assets as communicated by Specialfastigheter, and that the green buildings comply with the environmental certification criteria described in the eligibility criteria. This is in line with market best practice.

Impact Reporting

Sustainalytics considers Specialfastigheter's impact reporting framework to be robust, with green building projects, in particular, having a comprehensive set of impact metrics. These include energy consumption (MWh), energy intensity (kWh/sqm), absolute carbon emissions (tonnes), and carbon intensity (g/sqm).

Use of proceeds reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
|--|--|

- Linkage to individual bond(s) Other (please specify):

Frequency:

- Annual Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
 Other ESG indicators (please specify): refer to Framework document. Examples include:
Hectares (size of land) of certified forest holdings,
Water and/or wastewater capacity (supply and/or treatment) in cubic meters per year.

Means of Disclosure

- Information published in financial report Information published in sustainability report
 Information published in ad hoc documents Other (please specify): Annual Green Bond Report
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):
allocation reporting

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<http://www.specialfastigheter.se/grona-obligationer>

Specialfastigheter Annual Report 2016:

http://www.specialfastigheter.se/wp-content/uploads/2017/05/SPF_2016_ENG.pdf

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- (i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
- (ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

Disclaimer

All rights reserved. No part of this second party opinion (the "Opinion") may be reproduced, transmitted or published in any form or by any means without the prior written permission of Sustainalytics.

The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, this Opinion shall in no event be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds' use of proceeds.

The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

SUSTAINALYTICS

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