

# Second-Party Opinion

## Specialfastigheter Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Green Bond Framework is credible and impactful and aligns to the four core components of the Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources and Land Use and Renewable Energy – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 7, 11 and 15.



**PROJECT EVALUATION / SELECTION** Specialfastigheter Sverige AB (“Specialfastigheter”) has a dedicated Green Bond Committee (the “Committee”) who will be responsible for the evaluation and selection of eligible projects. Specialfastigheter’s company-level environmental and social risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Specialfastigheter intends to track the net proceeds via a dedicated, segregated Green Bond Account. Pending full allocation, unallocated proceeds may be temporarily invested in short-term interest-bearing securities in line with Specialfastigheter’s financial policy. Sustainalytics considers this process to be adequate and in line with market practice.



**REPORTING** The company intends to report on allocation of proceeds on its website annually until full allocation via a Green Bond Investor Report. In addition, Specialfastigheter is committed to reporting on the environmental impact of the eligible projects. Sustainalytics views Specialfastigheter’s allocation and impact reporting as aligned with market practice.

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<b>Evaluation Date</b>	October 28, 2021
<b>Issuer Location</b>	Linköping, Sweden

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## Introduction

Specialfastigheter Sverige AB (“Specialfastigheter”, or the “Company”) is a Swedish state-owned real estate company that constructs, owns, and manages high-security properties. Headquartered in Linköping, Sweden, the Company has a portfolio footprint spanning 1.1 million square metres comprised of correctional facilities, juvenile care homes, courts of law and police properties.

Specialfastigheter has developed the Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that improve the environmental performance of properties developed and managed by Specialfastigheter. The Framework defines eligibility criteria in the following four areas:

1. Green Buildings
2. Energy Efficiency
3. Environmentally Sustainable Management of Living Natural Resources and Land Use
4. Renewable Energy

Specialfastigheter engaged Sustainalytics to review the Green Bond Framework, dated October 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Specialfastigheter’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Specialfastigheter representatives have confirmed (1) they understand it is the sole responsibility of Specialfastigheter to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Specialfastigheter.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green Bond Framework is available on Specialfastigheter Sverige AB’s website at: <https://www.specialfastigheter.se/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Specialfastigheter has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green Bond Framework

Sustainalytics is of the opinion that the Green Bond Framework is credible, impactful, and aligns to the four core components of the GBP. Sustainalytics highlights the following elements of Specialfastigheter's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources and Land Use and Renewable Energy – are aligned with those recognized by the GBP.
  - Within the Green Buildings category, Specialfastigheter may finance; (i) new buildings with at least Miljöbyggnad Silver certification and 20% or more energy efficient than the level required by the applicable national building code Boverket's Building Regulations (BBR);<sup>4</sup> and/or (ii) existing buildings with at least Miljöbyggnad Silver certification and 30% or more energy efficient than at original construction. Sustainalytics considers the Miljöbyggnad certification scheme as credible, and the selected level as aligned with market practice. See Appendix 1 for Sustainalytics' assessment of the scheme.
    - Given that these are high-security properties, the Framework clarifies that access to a public organization like the Swedish Green Building Council may not be feasible due to existing confidentiality preclusions. In such cases, Specialfastigheter will provide a statement from an accredited Environmental Consultant confirming that the requirements under Miljöbyggnad building certification scheme have been met.
  - Under the Energy Efficiency category, Specialfastigheter is targeting investments in building retrofits that result in at least 25% improvement in energy efficiency. This may include installation of electric heat pumps, thermal insulation, district heating and cooling, energy-efficient lighting, ventilation systems, as well as monitoring and management systems. Allocation to district heating and cooling systems will only involve distribution and not heat generation assets. Specialfastigheter has confirmed with Sustainalytics that a large majority of the heat supplied to its distribution assets is sourced from renewable energy. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold on a portfolio basis for the installations of energy-efficient systems, equipment and technologies.
  - Environmentally Sustainable Management of Living Natural Resources and Land Use expenditures under the Framework relate to a range of projects that promote, restore and preserve biological diversity. This may include green roofs and walls, urban conservation as well as parks.
    - In addition, the Company may invest in forested areas around its properties. Specialfastigheter has confirmed that reforestation projects will have forestry plans in place that are certified by Programme for the Endorsement of Forest Certification (PEFC) and/or Forest Stewardship Council (FSC). Furthermore, this will be limited to tree species that are well-adapted to the specific site conditions in line with the respective plans.
    - Sustainalytics considers the investments contemplated under this category as well as the certification schemes as aligned with market practice. Refer to Appendix 2 for an overview of the PEFC and FSC schemes.

<sup>4</sup> BBR is the Swedish National Board of Housing, Building and Planning authorized by the government to review developments across housing, building and planning. For more information see Boverket Building Regulations, at: <https://www.boverket.se/en/start/building-in-sweden/swedish-market/laws-and-regulations/national-regulations/building-regulations/>

- Under the Renewable energy category, Specialfastigheter intends to invest in solar power projects either as part of existing buildings or as a stand-alone project. Sustainalytics views the investments in renewable energy to be aligned with market practice.
- Project Evaluation and Selection:
  - Specialfastigheter has an established Green Bond Committee (the “Committee”) to oversee the project evaluation and selection process. The Committee is comprised of representatives from the company’s Finance, Sustainability and Project and Development departments. In addition, the Committee is also responsible for the ongoing monitoring of the Green Portfolio which will be reviewed annually.
  - The Company’s social and environmental policies as well as risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectations. For additional detail see Section 2.
  - Based on the presence of a dedicated committee with cross-divisional expertise and the risk management systems in place, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - The Company intends to track the net proceeds via a dedicated, segregated Green Bond Account. The Green Bond Committee will oversee this process and review this account annually for re-allocation and repayments.
  - Specialfastigheter intends to reach full allocation within 12 months of issuance. Pending full allocation, unallocated proceeds may be temporarily invested in short-term interest-bearing securities in line with the Company’s financial policy.
  - Based on the segregated management of proceeds, disclosure around temporary use of proceeds and allocation period, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Specialfastigheter intends to report on allocation of proceeds on its website annually until full allocation through a Green Bond Investor Report. The report will include summary of the eligible projects, amounts outstanding, allocation of proceeds per category as well as the share of financing vs refinancing.
  - In addition, the Company is committed to reporting on the relevant impact metrics. This may include energy consumption (MWh), energy intensity (kWh per square meter) and size of land of certified forest holdings (hectares).
  - Based on the commitment to both impact and allocation reporting, Sustainalytics considers this process as aligned with market practice.

### Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of Specialfastigheter

### Contribution of framework to Specialfastigheter Sverige AB’s sustainability strategy

Specialfastigheter’s sustainability strategy is focused on two key environmental areas: (i) reduction of CO<sub>2</sub> emissions and (ii) protection of biodiversity.<sup>5</sup> The Company is committed to reducing its climate impact and has set a target of net-zero emissions by 2045. In this regard, Specialfastigheter is committed to reducing its absolute Scope 1 and 2 GHG emissions by 50% by 2030 (from a 2018 base year).<sup>6</sup> The targets are consistent with the reductions required to keep global warming to 1.5°, as verified by the Science Based Target Initiative in July 2021.<sup>7</sup> Since 2012, the Company has reduced its own energy consumption by 12.7% and reduced emissions from purchased energy by 67% with a target of 75% by 2030.<sup>8</sup> Specialfastigheter is also a signatory

<sup>5</sup> Specialfastigheter, “Market leader in secure facilities”, at: <https://www.specialfastigheter.se/om-oss/in-english.html>

<sup>6</sup> SBTi, “Companies taking action”, (2021), at: <https://sciencebasedtargets.org/companies-taking-action>

<sup>7</sup> Specialfastigheter, “Specialfastigheter’s new science-based emission targets approved by SBTi”, (2021), at:

<https://www.specialfastigheter.se/press/pressmeddelanden/pressmeddelanden/2021-08-26-specialfastigheters-nya-vetenskapsbaserade-utslappsmal-godkanda-av-sbti>

<sup>8</sup> Specialfastigheter, “2020 Annual Report and Sustainability Report”, (2020), at:

[https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF\\_2020\\_ENG.pdf](https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF_2020_ENG.pdf)

of Fossil Free Sweden, an initiative started by the Swedish Government in 2015 to make Sweden one of the world's first fossil free countries.<sup>9</sup>

Given that Specialfastigheter owns large amounts of land including forested areas, the Company has committed to the protection of biodiversity. Biodiversity inventories are carried out at properties that span more than ten hectares and seven inventories have been made so far.<sup>10</sup> These inventories also help identify the presence of Red List species as recognized by the International Union for Conservation of Nature and is an important basis for Specialfastigheter's forestry management plans.<sup>11</sup> The Company is also a part of the Swedish initiative, CLIMB (Changing Land use Impact on Biodiversity) that develops biodiversity assessments.<sup>12</sup>

Sustainalytics is of the opinion that the Specialfastigheter Green Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the action on its key environmental priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks could include land-use change, loss of biodiversity, waste disposal, occupational health and safety, and community relations issues associated with large-scale infrastructure development.

Sustainalytics is of the opinion that Specialfastigheter is able to manage or mitigate potential risks through implementation of the following:

- Specialfastigheter is a signatory to the United Nations Global Compact since 2016 and applies the ten principles through its Code of Conduct.<sup>13,14</sup> With regards to purchasing and procurement, the Company has developed its Supplier Code of Conduct which spans environmental considerations, information security, working conditions, human rights and business ethics to ensure a sustainable supply chain. The Company's Sustainability Report is integrated into its Annual Report prepared in accordance with Global Reporting Initiative (GRI) Standards.<sup>15</sup>
- Specialfastigheter's operations are certified with the ISO 14001:2015 (Environmental Management Systems) standard, indicating the presence of environmental management systems to mitigate adverse environmental impact and to communicate with associated stakeholders regarding information on environmental management.<sup>16</sup> To support the health and safety of employees at workplace, the Swedish Work Environment Authority (SWEA) issues provisions designating employer responsibility to prevent ill health and accidents, and to create a good working environment.<sup>17</sup> The SWEA's Statute Book details requirements targeted at reducing the occupational hazard such as; the transport of material at construction sites, roof work, and safety nets, first aid and crisis support as well as ergonomics for the prevention of musculoskeletal disorders.<sup>18</sup> Furthermore, EU-based projects are expected to comply with the EU Directive on Worker Health and Safety which ensures optimal safety and health requirements throughout the European Union, requiring employers to "ensure the safety and health of workers in every aspect related to the work", including "prevention of occupational risks and provision of information and training, as well as provision of the necessary organization and means".<sup>19</sup>
- Sweden's Environmental Code requires an Environmental Impact Assessment (EIA) for activities that are likely to have a significant environmental impact. As part of the EIA, the pursuant shall hold

<sup>9</sup> Swedish Ministry of the Environment and Energy, "The goal is a fossil-free Sweden", (2015), at:

[https://www.government.se/contentassets/ef6483a702fd4d1a860e7ca7f4b6fe70/faktablad\\_fossil\\_free\\_sweden\\_en\\_webb.pdf](https://www.government.se/contentassets/ef6483a702fd4d1a860e7ca7f4b6fe70/faktablad_fossil_free_sweden_en_webb.pdf)

<sup>10</sup> Specialfastigheter, "2020 Annual Report and Sustainability Report", (2020), at:

[https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF\\_2020\\_ENG.pdf](https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF_2020_ENG.pdf)

<sup>11</sup> *Ibid*

<sup>12</sup> Ecogain, "Changing Land Use Impact on Biodiversity (Climb)", at: <https://en.ecogain.se/climb>

<sup>13</sup> UN Global Compact, "Specialfastigheter Sverige AB", (2016), at: <https://www.unglobalcompact.org/what-is-gc/participants/87041-specialfastigheter-Sverige-AB>

<sup>14</sup> Specialfastigheter, "2020 Annual Report and Sustainability Report", (2020), at:

[https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF\\_2020\\_ENG.pdf](https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF_2020_ENG.pdf)

<sup>15</sup> GRI, "Sustainability Disclosure Database", (2020), at: <https://database.globalreporting.org/organizations/2008/>

<sup>16</sup> *Ibid*

<sup>17</sup> SWEA, "Acts and regulations about work environment", at: <https://www.av.se/en/work-environment-work-and-inspections/acts-and-regulations-about-work-environment/>

<sup>18</sup> SWEA, "The Swedish Work Environment Authority's Statute Book", at: <https://www.av.se/en/work-environment-work-and-inspections/publications/foreskrifter/>

<sup>19</sup> EU, "Directive 89/391/EEC on the introduction of measures to encourage improvements in the safety and health of workers at work", (1989), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:31989L0391&from=FR>

consultations with government agencies, municipalities, citizens and organizations that are likely to be affected.<sup>20</sup>

In addition to the above, Sustainalytics notes that Sweden is categorized as a Designated Country under the Equator Principles, indicating strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.<sup>21</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Specialfastigheter has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All four use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

#### Contribution of renewable energy and energy efficiency towards the achievement of Sweden's climate targets

As a signatory to the Paris Agreement, Sweden is committed to limiting the rise in temperature to below 2°C above pre-industrial levels. The 2017 Swedish Climate Policy Framework establishes the country's target of net zero emissions by 2045 which translates to emissions reduction of 85% from 1990 levels with interim goals of reduction by 55% by 2030 and 73% by 2040.<sup>22,23</sup> As per Sweden's draft integrated national energy and climate plan, improved energy efficiency and increased share of renewable energy are key components to achieve net zero emissions target. Accordingly, Sweden is targeting; (i) 50% more energy efficiency by 2030, compared to 2005 levels; and switching to 100% renewable energy by 2040.<sup>24</sup> Subsequently in 2019, energy consumption was 29% more efficient than in 2005 and share of renewable energy was at 59%. Between 2019 and 2020, the number of grid-connected solar PV systems increased by 50% in Sweden indicating the progress being made in this sector.<sup>25</sup>

Based on the above, Sustainalytics considers that Specialfastigheter's intention to invest in solar projects and financing of building retrofits to improve energy efficiency will contribute towards advancing the Swedish low-carbon energy sector.

#### Importance of green buildings in Sweden

Sweden is a part of the European Union (EU) and follows the Energy Performance of Buildings Directive (EPBD) that aims to modernize the building sector and support construction or renovation of energy efficient building stock.<sup>26</sup> The building sector is responsible for approximately 40% of EU energy consumption and 36% of the GHG emissions, and thus, the largest energy consuming sector in Europe.<sup>27</sup> In 2020, the real estate sector in Sweden accounted for 37% of energy consumption, and 21% of GHG emissions in the country.<sup>28</sup> Globally, the real estate sector can achieve a 50% reduction in total CO<sub>2</sub> emissions by 2050 through greater investments in green buildings.<sup>29</sup> Recognizing that more than 80% of Specialfastigheter's emissions and the majority of its waste can be contributed to the construction and maintenance of buildings, the Company commits, at a minimum, to have all its property meet Miljöbyggnad Silver levels and design its buildings based on a circular approach. This includes opting for climate-smart materials, reduction in wastage and maintenance of a

<sup>20</sup> Kingdom of Sweden, "Environmental Code", (1998), at: <https://www.government.se/contentassets/be5e4d4ebdb4499f8d6365720ae68724/the-swedish-environmental-code-ds-200061>

<sup>21</sup> The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

<sup>22</sup> Swedish Ministry of Environment and Energy, "The Swedish climate policy framework", at: <https://www.government.se/495f60/contentassets/883ae8e123bc4e42aa8d59296ebe0478/the-swedish-climate-policy-framework.pdf>

<sup>23</sup> Government Offices of Sweden, "Sweden's climate policy framework", (2021), at: <https://www.government.se/articles/2021/03/swedens-climate-policy-framework/>

<sup>24</sup> Government Offices of Sweden, "Sweden's draft integrated national energy and climate plan", (2018), at: [https://ec.europa.eu/energy/sites/ener/files/documents/sweden\\_draftnecp.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/sweden_draftnecp.pdf)

<sup>25</sup> Swedish Energy Agency, "Energy in Sweden 2021", (2021), at: <https://www.energimyndigheten.se/en/news/2021/an-overview-of-energy-in-sweden-2021-now-available/>

<sup>26</sup> EUR-Lex, "Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", (2018), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_.2018.156.01.0075.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2018.156.01.0075.01.ENG)

<sup>27</sup> European Commission, "Energy performance of buildings directive", (2020) at: [https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive\\_en#facts-and-figures](https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en#facts-and-figures)

<sup>28</sup> Sweden Green Building Council, "A Net Zero Carbon Future", (2020), at: <https://www.sgbc.se/app/uploads/2020/04/NollCO2-Informationfolder-engelska.pdf>

<sup>29</sup> UNEP, "Towards zero-emission efficient and resilient buildings, Global Status Report", (2016), at: [https://wedocs.unep.org/bitstream/handle/20.500.11822/10618/GABC-Report\\_Updated.pdf?sequence=1&amp%3BisAllowed=1](https://wedocs.unep.org/bitstream/handle/20.500.11822/10618/GABC-Report_Updated.pdf?sequence=1&amp%3BisAllowed=1)

materials database that operates on precautionary principle and Sweden Green Building Council's requirements for registration of materials.<sup>30</sup>

Within this context, Sustainalytics is of the opinion that Specialfastigheter's investments in renewable energy, energy efficiency and green building projects will contribute towards climate change mitigation while also supporting Sweden in meeting its long-term climate-related goals.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

## Conclusion

Specialfastigheter has developed the Specialfastigheter Green Bond Framework, under which it may issue green bonds and use the proceeds to finance or refinance green buildings, energy efficiency, renewable energy and environmentally sustainable management of living natural resources and land use projects. Sustainalytics considers that the projects eventually funded by the green bond proceeds are expected to provide positive environmental impact.

The Specialfastigheter Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Specialfastigheter Green Bond Framework is aligned with the company's overall sustainability strategy and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 11 and 15. Additionally, Sustainalytics is of the opinion that Specialfastigheter has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.


Based on the above, Sustainalytics is confident that Specialfastigheter is well positioned to issue green bonds and that the Specialfastigheter Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

## Appendices

### Appendix 1: Overview of referenced Green Building certification scheme

	<b>Miljöbyggnad</b>
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<sup>30</sup> Specialfastigheter, "2020 Annual Report and Sustainability Report", (2020), at: [https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF\\_2020\\_ENG.pdf](https://www.specialfastigheter.se/download/18.21a2aa941784b0229b727544/1619510730355/SPF_2020_ENG.pdf)

<b>Background</b>	Administered by the Swedish Green Building Council (SGBC), Miljöbyggnad certifies new and existing residential and commercial buildings. First implemented in 2010, Version 3 launched in 2018.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Indoor Environment</li> <li>• Chemical Substances</li> <li>• Specific Environmental Demands</li> </ul>
<b>Requirements</b>	Checklist of 15 indicators, all of which must be met in order to obtain certification. Level of certification is determined by the lowest-scoring indicator.
<b>Performance display</b>	
<b>Qualitative Considerations</b>	Developed specifically for Sweden. High emphasis on indoor environments.



## Appendix 2: Overview of Referenced Forestry Certification Schemes

	<b>Programme for the Endorsement of Forest Certification (PEFC)<sup>31</sup></b>	<b>Forest Stewardship Council (FSC)<sup>32</sup></b>
<b>Background</b>	<p>Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements, and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.</p>	<p>The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.</p>
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation, and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socio-economic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>
<b>Types of standards/benchmarks</b>	<ul style="list-style-type: none"> <li>• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements to obtain PEFC endorsement</li> <li>• Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>• Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>• Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>• PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>• Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>	<ul style="list-style-type: none"> <li>• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>• Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>• Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>• Controlled Wood verification (for assurance that 100% virgin fibre mixed with FSC-certified and recycled fibre originates from a verified and approved source)</li> </ul>

<sup>31</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

<sup>32</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: [https://ca.fsc.org/preview\\_principles-criteria-v5\\_a-1112.pdf](https://ca.fsc.org/preview_principles-criteria-v5_a-1112.pdf)

<b>Governance</b>	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes, and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
<b>Scope</b>	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on 31 /IEC Code for good practice for standardization (Guide 59) <sup>33</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
<b>Chain-of-Custody</b>	<ul style="list-style-type: none"> <li>● Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>● Only accredited certification bodies can undertake certification</li> <li>● CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>● The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>● The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>● The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody</li> </ul>	<ul style="list-style-type: none"> <li>● The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>● CoC standard includes procedures for tracking wood origin</li> <li>● CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>● CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>
<b>Non-certified wood sources</b>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <p>a. forest management activities that do not comply with local, national or international laws related to:</p> <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> </ul>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <p>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</p> <p>b. Wood harvested in violation of traditional and civil rights,</p>

<sup>33</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

	<ul style="list-style-type: none"> <li>- protected and endangered species, including CITES species,</li> <li>- health and labour issues,</li> <li>- indigenous peoples' property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> <p>b. genetically modified organisms, c. forest conversion, including conversion of primary forests to forest plantations.</p>	<p>c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.</p>
<p><b>Accreditation/ verification</b></p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p><b>Qualitative considerations</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>34</sup> and both have also faced criticism from civil society actors.<sup>35,36</sup> In certain instances, these standards go above and beyond national regulation and can provide a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

## Appendix 3: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

**Issuer name:**

Specialfastigheter Sverige AB

<sup>34</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>35</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>36</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Green Bond Framework
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<b>Review provider's name:</b>	Sustainalytics
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<b>Completion date of this form:</b>	October 28, 2021
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<b>Publication date of review publication:</b>	
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## Section 2. Review overview

### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

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

- |  |  |
|--|--|
| <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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

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

Please refer to Evaluation Summary above.
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## Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds Green Buildings, Energy Efficiency, Environmentally Sustainable Management of Living Natural Resources and Land Use and Renewable Energy are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals ("SDGs"), specifically SDGs 7, 11 and 15.
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**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"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input type="checkbox"/> Clean transportation   |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                            | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

If applicable please specify the environmental taxonomy, if other than GBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

Specialfastigheter Sverige AB ("Specialfastigheter") has a dedicated Green Bond Committee (the "Committee") who will be responsible for the evaluation and selection of eligible projects. Specialfastigheter's company-level environmental and social risk mitigation processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers the risk management systems to be adequate and the project selection process to be in line with market practice.

**Evaluation and selection**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

**Information on Responsibilities and Accountability**

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

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Specialfastigheter intends to track the net proceeds via a dedicated, segregated Green Bond Account. Pending full allocation, unallocated proceeds may be temporarily invested in short-term interest-bearing securities in line with Specialfastigheter's financial policy. Sustainalytics considers this process to be adequate and in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

The company intends to report on allocation of proceeds on its website annually until full allocation via a Green Bond Investor Report. In addition, Specialfastigheter is committed to reporting on the environmental impact of the eligible projects. Sustainalytics views Specialfastigheter's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

#### Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (please specify):  
outstanding amount, share of financing vs refinancing

**Frequency:**

- Annual
  Semi-annual  
 Other (please specify):

**Impact reporting:**

- Project-by-project
  On a project portfolio basis  
 Linkage to individual bond(s)
  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Other ESG indicators (please specify): energy consumption (MWh), energy intensity (kWh per square meter) and size of land of certified forest holdings (hectares).

**Frequency**

- Annual
  Semi-annual  
 Other (please specify):

**Means of Disclosure**

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

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.)

<https://www.specialfastigheter.se/ekonomi-finans/arsredovisning.html>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

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

**Review provider(s):****Date of publication:**

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

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



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