

SBAB Group Green Bond Framework 2019

# GREENING THE FUTURE

**SCBC**  
— Covered Bonds of SBAB —

**SBAB!**

# Content

- 03 **The SBAB Group**
  - Who we are
  - What we do
- 04 **SBAB's view on sustainability**
  - Introduction
  - Sustainable Development Goals
  - Sustainability reporting and governance
  - Growing need for sustainable investments
  - Updated framework promoting the transition to low carbon and climate resilient society

- 07 **1. The Green Bond Framework**
- 08 **2. Use of Proceeds**
- 09 **3. Process for Project Evaluation and Selection**
  - 3.1 SBAB Sustainable Bond Committee
  - 3.2 Project Selection
  - 3.3 Project Evaluation
- 10 **4. Management of Proceeds**
- 10 **5. Reporting**
  - 5.1 Reporting and Transparency
  - 5.2 Basis for Impact Reporting
- 11 **6. External Review**
  - 6.1 Second Party Opinion
  - 6.2 Verification

- 12 **Annex 1: Energy Performance Certificates**
- 13 **Annex 2: Governance Policies and Instructions**



°CICERO  
Medium Green

CICERO (Center for International Climate and Environmental Research-Oslo) has provided a second opinion to this Green Bond Framework, which is publicly available on the SBAB Group's website, [www.sbab.se](http://www.sbab.se).



# The SBAB Group

## Who we are

SBAB Bank AB (publ) (“**SBAB**”) was founded in 1985 and is wholly owned by the Swedish state. SBAB primarily provides mortgages but also offer loan and savings products to consumers, tenant-owners’ associations and property companies in Sweden. The SBAB Group consists of SBAB and the subsidiaries AB Sveriges Säkerställda Obligationer (publ) (with the parallel trade name The Swedish Covered Bond Corporation) (“**SCBC**”) and Booli Search Technologies AB (“**Booli**”). SCBC’s primary operations comprise the issuance of covered bonds (Sw. *säkerställda obligationer*) pursuant to the Swedish Act on Issuance of Covered Bonds (Sw. *Lag (2003:1223) om utgivning av säkerställda obligationer*), i.e. bonds or other comparable full-recourse debt instruments secured by a pool of mortgage credits (the “**Cover Pool**”), in the Swedish and international capital markets. SCBC does not pursue lending activities but instead acquires loans that meet certain criteria from SBAB on a regular basis. Booli develops products and services for the housing market. SBAB and SCBC are herein after jointly referred to as the “**SBAB Group**”.

SBAB Group

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## What we do

SBAB has two business areas: Retail and Corporate Clients & Tenant-Owners’ Associations.

The **Retail** business area offers savings and loan products, and home and housing services to consumers. The core product — residential mortgages — is supplemented by consumer loans and insurance broking. SBAB has no traditional bank branches, which means that all products and services are offered online or by telephone. As of 30th June 2018, SBAB’s market share, as per Statistics Sweden, in terms of Swedish retail mortgage lending, stood at 8.19%, which makes SBAB the fifth largest player in Sweden. SBAB’s retail customers are primarily located in areas around Stockholm, Gothenburg, Malmö, and other university cities and growth regions.

The **Corporate Clients & Tenant-Owners’ Associations** business area offers savings and housing financing to property companies and tenant-owners’ associations. SBAB finances multi-family dwellings, both privately owned and owned by tenant-owner associations. The properties may consist of existing buildings or new construction, where SBAB mortgage the land and the construction and offer final funding. SBAB distributes our products and services to corporate customers and tenant-owner associations through personal contacts. The credit granting is concentrated to expansive growth regions and near SBAB’s three offices in Stockholm, Gothenburg and Malmö, where SBAB can create the close relationships required to remain competitive and provide customers with the best possible service.

## SBAB’s vision

**To offer the best residential mortgages in Sweden**

## SBAB’s mission

**To help improve housing quality and household finances**

# SBAB's view on sustainability

## Introduction

In the process of creating a sustainable society, the business community, including the SBAB Group, has a decisive role to play. In 2016 and 2017, in the process of reviewing the SBAB Group's sustainability strategy, SBAB realised that it no longer made sense to distinguish between business and sustainability goals. SBAB realised that it was an old and, in many ways, inefficient way of work-

ing – the foundation for all activities must be sustainable. With that in mind, SBAB established three overall target areas for the SBAB Group's operations: (i) **Responsibility and transparency**; (ii) **Attractive workplace**; and (iii) **Sound finances**. Together, these focus areas form the basis of a common approach to the SBAB Group's contribution to sustainable societal development.

## Sustainable Development Goals

On 25 September 2015, the 2030 Agenda for Sustainable Development (the "**Agenda 2030**"), including its 17 Sustainable Development Goals ("**SDGs**") and 169 targets, was adopted by Heads of State and Government at a special UN summit. The Agenda 2030 is a commitment to eradicate poverty and achieve sustainable development by 2030 worldwide, ensuring that no one is left behind. The SBAB Group has assigned priority to four of the SDGs contained in Agenda 2030, considered to be particularly important and relevant for the SBAB Group's operations. Today, these are an integrated component of our sustainable governance model.



### Goal 8: Decent work and economic growth

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SBAB work with customers and suppliers to ensure acceptable labour conditions, compliance with international guidelines and principles, and promote an equal, inclusive and diverse workplace.



### Goal 11: Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable. SBAB is committed to adding additional environmental and social sustainability criteria in its credit processes and contribute to sustainable cities and urban development. SBAB is also engaged in a project, together with Stockholms Stadsmission (Eng: *Stockholm City Mission*) and major real estate customers, to reduce homelessness in Stockholm.



### Goal 12: Responsible consumption and production

Ensure sustainable consumption and production patterns by being open, simple and transparent, and make available relevant knowledge and data to customers to raise awareness in the housing market.



### Goal 13: Climate action

Take urgent action to combat climate change and its impacts. By developing products that provide customers with the opportunity and incentives to invest and implement energy and environmental improvement measures in their homes and real estate, SBAB contributes to positive and sustainable social development.

### Sustainability reporting and governance

The SBAB Group has been reporting sustainability in accordance with the Global Reporting Initiative (GRI) since the financial year 2008 in an annual Sustainability Report. As of the financial year 2015, sustainability is reported as an integrated part of the Annual Report. As of the financial year 2017, the SBAB Group's reports its sustainability efforts in accordance with the Global Reporting Initiative's (GRI) guidelines, GRI Standards: Core option. In addition, SBAB has signed the UN Global Compact initiative, which comprises ten principles concerning human rights, aspects of labour law, the environment and corruption. Each year, SBAB issues a Communication on Progress (COP) to the UN Global Compact to account for the Bank's efforts regarding the ten principles.

Within SBAB, the board of directors is ultimately responsible for ensuring that proactive, long-term efforts to achieve sustainable development are carried out within the company. From 2017, SBAB's sustainability efforts are fully integrated in SBAB's business plan. Sustainability is also an integral part of the SBAB Group's internal governance policies and instructions, helping to promote sustainable business and to create a consensus on company-wide issues and areas. SBAB's sustainability documents include the Code of Conduct, Policy for Sustainable Enterprise, and the Ethics Policy. SBAB's supplier code is attached to all material agreements and addresses SBAB's view and expectations of suppliers' sustainability efforts and compliance with international guidelines and principles. For additional information on governance and policies, please refer to *Annex II*.

### Growing need for sustainable investments

In Sweden, the residential and service sector account for almost 40% of the total energy use. The sector includes households, public administration, commerce, agriculture, forestry, fishing

and construction. Households and non-residential premises stand for roughly 90% of the energy use in the sector (Source: *Swedish Energy Agency, "Energy in Sweden 2017"*).

Many of the houses in Sweden were built before 1970's (Source: *Statistics Sweden, SCB*) and had limited or no restrictions on energy efficiency in its building standards. Poor isolation made heating the biggest source of energy consumption. Although emissions had been dramatically reduced since the transition from oil-based heating to district heating during the 1990's, energy consumption still has the potential to become more effective. Today, national building standards require relatively high energy efficiency for new buildings. The standards are expected to become tougher over time, with even more sustainability criteria to consider. To meet national and international energy goals, it has become increasingly important to improve the energy performance of old houses as well as making new buildings meet and exceed current building standards.

Energy performance certificates (each an "EPC") (Sw. *energi-deklaration*) issued by the Swedish National Board of Housing, Building and Planning (Sw. *Boverket*) have been a legal requirement in Sweden since 2009. Since 2014, the EPCs have included energy classes in the range from A (low energy consumption) to G (high energy consumption). A building that has an energy consumption corresponding to the requirement imposed on a newly built building is, at the date of this Green Bond Framework, placed in energy class C. Multi-family buildings must hold a valid EPC at all times and single-family houses need a valid EPC prior to a sale issued (Source: *The Swedish National Board of Housing, Building and Planning*).

Further details on energy classes and the national housing stock are set out in *Annex I*.





### Updated framework promoting the transition to low carbon and climate resilient society

SBAB endeavours to offer financial products and services that are sustainable for both individuals, property companies and tenant-owners' associations as well as society at large. As a bank, SBAB's financing and credit granting enables SBAB to influence the market through requirements, stimuli and dialogue with the aim of reducing energy consumption. One example is SBAB's green lending. SBAB's green lending is about stimulating demand for energy efficient housing as well as creating opportunities and incentives for customers to invest and implement energy improving measures in their homes and properties.



SBAB currently offers green lending products for both retail customers as well as property companies and tenant-owners' associations. SBAB's most recent green lending product is a Green Mortgage (Sw. *Grönt Bolån*), which is a discounted residential mortgage available for all customers living in properties with an EPC evidencing an energy class equivalent to or better than the national building standards, i.e. energy class A, B or C. The better the energy class, the greater the discount. Since 2015, SBAB offers discounted Green Loans (Sw. *Gröna Lån*) to corporate clients and tenant-owners' associations, entailing a customer to obtain financing for a renovation of a building which either aims to reduce the energy use in such building or to have an environment enhancing impact.

The rationale for SBAB to launch the updated Green Bond Framework is to **continue to promote the transition to a low carbon and climate resilient society** through the funding of green buildings and buildings which are or will become more energy efficient. By setting up this Green Bond Framework, aligned with guidelines established in 2018 edition of the "Green Bond Principles" (the "**2018 GBP**") published by the International Capital Market Association ("**ICMA**"), SBAB offers investors further insight into our sustainability strategy and the opportunity to support the transition to a low carbon and climate resilient future.

January, 2019

Klas Danielsson  
*Chief Executive Officer SBAB*

Mikael Inglander  
*Chief Financial Officer SBAB / Chief Executive Officer SCBC*

Malin Pellborn  
*Head of Sustainability & Communications SBAB*

# 1. The Green Bond Framework

SBAB's aim is to finance its green lending by way of green funding. As a step in that direction, SBAB, as the first bank in Sweden, successfully issued its first green bond in Mid-2016. By updating its Green Bond Framework (the "**Green Bond Framework**"), based on the 2018 GBP, SBAB wish to offer investors further insight on SBAB's sustainability strategy in line with SBAB's commitments. It is important for SBAB to continue to promote, and offer investors the opportunity to support, the transition to a low carbon and climate resilient society by mitigating or adapting to climate change through the funding of green buildings and buildings which are or will become more energy efficient.

This Green Bond Framework enables (i) SBAB to issue notes in the form of green bonds under SBAB's Euro Medium Term Note Programme (as amended from time to time) in force at the relevant issue date (each an "**SBAB Green Bond**"); and (ii) SCBC to issue covered bonds in the form of green bonds under SCBC's Euro Medium Term Covered Note Programme (as amended from time to time) in force at the relevant issue date (each an "**SCBC Green Bond**" and jointly with the SBAB Green Bonds, the "**SBAB Group Green Bonds**"). The relevant documentation can be found under the heading "*Investor Relations*" on [www.sbab.se](http://www.sbab.se). The relevant final terms for each Green Bond issued hereunder will include a reference to this Green Bond Framework under the "Use of proceeds" section.

This Green Bond Framework has the goal to ensure transparency, disclosure, integrity and quality of, and in relation to, any and all SBAB Group Green Bonds. It describes all the steps to be

taken by the SBAB Group to ensure that there is a robust process chain regarding the selection, issuance and the maintenance of the SBAB Group Green Bonds, including reporting. The SBAB Group has considered the recommendations on the use of external reviews set out in the 2018 GBP when concluding this Green Bond Framework to further safeguard the quality and transparency of the SBAB Group Green Bonds.

The SBAB Group will from time to time review and update this Green Bond Framework. Any SBAB Group Green Bonds in issue will uphold the standards of the Green Bond Framework published by the SBAB Group at the time of issue, which means that loans classified as Eligible Green Loans (as defined below in Section 2) have to meet the relevant eligibility criteria at the time of selection and any future enhanced criteria will thus not automatically be applied retroactively to selected Eligible Green Loans (as defined below in Section 2) already financed by a Green Bond.

It should be noted that the SBAB Group Green Bonds do not, as such, purport to create any specific security in favour of an investor in the Eligible Green Loans (as defined below in Section 2) and/or their underlying security. In the case of SCBC Green Bonds, a holder of the covered bond holds security in the Cover Pool on a *pari passu* basis with other investors holding covered bonds issued by SCBC, in accordance with the Swedish Act on Issuance of Covered Bonds. Any Eligible Green Loans (as defined below in Section 2) held by SCBC may form part of the Cover Pool.


## 2. Use of Proceeds

A loan provided and held by the SBAB Group will become an eligible loan (each an “**Eligible Green Loan**”) if it fulfils the eligibility criteria of one of the below categories.

Each Eligible Green Loan (other than a consumer loan) is primarily secured either by mortgages (Sw. *pantbrev*) pledged in favour of an entity in the SBAB Group if the loan relates to a property (Sw. *fast egendom*) or a by a pledge in favour of an entity

in the SBAB Group if the loan relates to a tenant-owners’ right. In certain cases, the Eligible Green Loans are also secured by a share pledge or through a guarantee.

The loan may be regarded as an Eligible Green Loan during **10 years** from the time of selection in accordance with Section 3 below.

Eligible Category	Eligible Green Loan	Eligibility Criteria
<b>Retail</b>		
Energy efficient buildings	Residential retail mortgage loans (Sw. <i>bolån</i> )  <div style="border: 1px solid green; padding: 5px; display: inline-block;">  SBAB product: <b>SBAB Group green mortgage loan</b> (Sw. <i>Grönt Bolån</i>)         </div>	<ul style="list-style-type: none"> <li>• <b>Properties</b> (Sw. <i>fastigheter</i>) owned by one or more individuals where the building on such property (i) has obtained an EPC with energy class A or B (where the construction was initiated on or after 1 January 2014); (ii) has obtained an EPC with energy class A, B or C (where the construction was initiated before 1 January 2014); or (iii) has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above (as applicable); or</li> <li>• <b>Tenant-owners’ rights</b> (Sw. <i>bostadsrätter</i>) held by one or more individuals where the building owned by the tenant-owner association (Sw. <i>bostadsrättsförening</i>) to which the tenant-owners’ right relate (i) has obtained an EPC with energy class A or B (where the construction was initiated on or after 1 January 2014); (ii) has obtained an EPC with energy class A, B or C (where the construction was initiated before 1 January 2014); or (iii) has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above (as applicable).</li> </ul>
Reduction of energy usage	Residential retail mortgage loan and/or consumer loan (Sw. <i>privatlån</i> )	<ul style="list-style-type: none"> <li>• <b>Buildings</b> where the final energy use per sq.m. &amp; year on the property has been reduced by at least 30%, as evidence e.g. by a new EPC.</li> </ul>
<b>Corporate Clients &amp; Tenant-Owners’ Associations</b>		
Energy efficient and green buildings; new constructions and major renovations	Corporate loans	<ul style="list-style-type: none"> <li>• <b>New constructions</b>, including rehabilitations or major renovations, of one or more residential or commercial buildings where the project plan specifies that the intention is either to obtain at least one of the below certifications or to construct/renovate the building according to such certification methods.               <ul style="list-style-type: none"> <li>(i) EPC with energy class A or B;</li> <li>(ii) Miljöbyggnad, (minimum certification “silver”);</li> <li>(iii) Svanen (Eng. <i>Nordic Swan</i>);</li> <li>(iv) Passivhus (Eng. <i>Passive House</i>); or</li> <li>(v) Green Building.</li> </ul>               A building is deemed to be a new construction during the planning phase, the construction or renovation phase (as applicable) and until an EPC has been obtained (“<b>Completion</b>”).             </li> </ul>
Energy efficient buildings	Corporate loans Loans to tenant-owners’ associations (Sw. <i>bostadsrättsförening</i> )	<ul style="list-style-type: none"> <li>• <b>Properties</b> owned by an entity (including a tenant-owner association) where the residential or commercial building on such property (i) has obtained an EPC with energy class A or B (where the construction was initiated on or after 1 January 2014); (ii) has obtained an EPC with energy class A, B or C (where the construction was initiated before 1 January 2014); or (iii) has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above (as applicable).</li> </ul>
Reduction of energy usage	Corporate loans Loans to tenant-owners’ associations	<ul style="list-style-type: none"> <li>• <b>Buildings</b> where the final energy use per sq.m. &amp; year on the property has been reduced by at least 30%, as evidence e.g. by a new EPC.</li> </ul>
Energy efficiency and other green investments	SBAB Green Loans to tenant-owners’ associations and corporations  <div style="border: 1px solid green; padding: 5px; display: inline-block;">           SBAB product: <b>SBAB Green Loan</b> (Sw. <i>Gröna Lån</i>)         </div>	<ul style="list-style-type: none"> <li>• <b>Activities in buildings</b> where the project plan specifies that the intention is either to reduce the energy use in such building (e.g. new heat source) or to have an environment enhancing impact (e.g. removal of certain materials such as PCBs) and has qualified to be an SBAB Group green loan (Sw. <i>Gröna Lån</i>) in accordance with the terms set out from time to time on <a href="http://www.sbab.se">www.sbab.se</a>.</li> </ul>
<p><i>For the avoidance of doubt, net proceeds of a Green Bond will not be allocated to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco. Neither SBAB nor SCBC provides any loans for the financing of any of the above.</i></p>		



# 3. Process for Project Evaluation and Selection

## 3.1 SBAB Sustainable Bond Committee

The SBAB Group has established a sustainable bond committee (the “**Sustainable Bond Committee**”), currently consists of a representative from Treasury at SBAB, Head of Corporate Clients & Tenant-owners’ Associations (corporate lending) at SBAB, Head of Customer Experience (private lending) at SBAB, Head of Property Valuation at SBAB, Sustainability strategists (corporate lending) at SBAB and Sustainability Strategists (retail lending) at SBAB.

The primary purpose of the Sustainable Bond Committee is to participate in the recurrent review of this Green Bond Framework and to perform the project selection and evaluation as further detailed in Sections 3.2 and 3.3 below. The Sustainable Bond Committee is also responsible for keeping all internal documentation relating to the issuance of SBAB Group Green Bonds up to date and to ensure internal compliance therewith. The Sustainable Bond Committee meets on a regular basis at least four times per year.

Formal decisions will be made (through delegation by the respective CEO in SBAB and SCBC) on a simple majority basis provided that at least three members of the SBAB Group’s Sustainable Bond Committee are present including at least one of the two Sustainability Strategists to ensure the green and sustainable focus of the committee discussions. Minutes will be kept at the meetings.

## 3.2 Project Selection

Eligible Green Loans to be funded through the issuance of a Green Bond will, depending on the category it relates to, initially be selected by designated staff within either the SBAB Group’s Retail Lending, Corporate Clients & Tenant-Owners’ Associations and/or Real Estate Valuations departments based on the eligibility criteria described in Section 2 above and the SBAB Group’s

applicable credit procedures. The Sustainable Bond Committee will make the formal decision on which loans will be selected as Eligible Green Loans.

It is notable that the current internal credit instructions prescribe that, in relation to corporate clients and tenant-owner association customers, midsize and large property owners and producers shall be prioritised customer categories and that the property or properties to be financed shall predominantly be located in a growing municipality (Sw. *tillväxtort*), as defined in the SBAB Group’s internal classification system. The SBAB Group’s Corporate Clients & Tenant-Owner Associations business area is present at the SBAB Group’s offices located in Stockholm, Gothenburg and Malmö, resulting in a concentration in SBAB Group’s credit portfolio to these regions.

In relation to the Retail business area, the SBAB Group’s products and services are offered online or by telephone making them easily available to customers located anywhere in Sweden. Notwithstanding the foregoing, the SBAB Group’s retail customers are primarily located in areas around Stockholm, Gothenburg and Malmö as well as around other university cities and in growth regions.

## 3.3 Project Evaluation

The selected Eligible Green Loans will be evaluated at least on an annual basis to ensure compliance with the eligibility criteria set out in Section 2 above. Notwithstanding the above, a corporate loan for a new construction will be deemed to be an Eligible Green Loan from selection until Completion.

Should the Sustainable Bond Committee conclude that an Eligible Green Loan no longer fulfils the eligibility criteria, then that Eligible Green Loan will become a disqualified Eligible Green Loan and thus be removed from the portfolio of Eligible Green Loans.

# 4. Management of Proceeds

The net proceeds received by the SBAB Group through the issuance of SBAB Group Green Bonds will be used exclusively to finance or refinance Eligible Green Loans or to refinance maturing SBAB Group Green Bonds and will be managed by the SBAB Group in a portfolio approach. The net proceeds from an SBAB Group Green Bond will thus be allocated to a portfolio of Eligible Green Loans, selected in accordance with the process set out in Section 3.2 above, where an Eligible Green Loan may be held by either SBAB or SCBC. It is the SBAB Group's intention to designate sufficient Eligible Green Loans to the group portfolio of Eligible Green Loans to ensure that the size thereof always exceeds the total balance of all outstanding SBAB Group Green Bonds.

The SBAB Group has assigned specific series and identification numbers to its SBAB Group Green Bonds separating them from the companies' other bonds in issue. Similarly, each loan that fulfils the eligibility criteria set out in Section 2 above will be marked and thus designated as an Eligible Green Loan (subject to the selection and evaluation process described in Sections 3.2 and 3.3 above).

The SBAB Group will hold or invest any unallocated SBAB Group Green Bond net proceeds, at its own discretion, in its liquidity portfolio managed by SBAB in accordance with SBAB's liquidity portfolio policy. Details of the composition of the liquidity portfolio are on a yearly basis set out in the SBAB Group's consolidated annual report.

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# 5. Reporting

## 5.1 Reporting and Transparency

The SBAB Group will annually, and until the maturity of all SBAB Group Green Bonds issued, provide at least the following information to investors on its website [www.sbab.se](http://www.sbab.se):

- (i) a summary of Green Bond developments;
- (ii) the outstanding amounts of issued SBAB Group Green Bonds;
- (iii) the total proportion of Green Bond net proceeds used to finance new assets and the proportion of Green Bond net proceeds used to refinance existing assets;
- (iv) the total aggregated proportion of Green Bond net proceeds per category of the eligibility criteria (Retail, Tenant-Owners' Associations and Corporates) as further described in Section 2;
- (v) verification by third party (as further described in Section 6); and
- (vi) SBAB Group Green Bonds Impact Reporting (*described further below*).

## 5.2 Basis for Impact Reporting

The SBAB Group intends to show reduced or avoided greenhouse gas emissions in proportion to the eligible part financed or refinanced with net proceeds from SBAB Group Green Bonds. SBAB will use a baseline calculation method taking into consideration energy savings. The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best intention basis.

Given the potential large number of Eligible Green Loans, and with reference to the requirements in relation to SBAB's customers and the General Data Protection Regulation (GDPR), SBAB intends to show an aggregation of the loan volume and greenhouse gas avoided or reduced as a result of the Eligible Green Loans financed through the issuance of the SBAB Group Green Bonds.

The following metrics for impact reporting will be included:

- (i) brief description of, at least, two examples of Eligible Green Loans financed through the issuance of SBAB Group Green Bonds (subject to customer approval being obtained);
- (ii) annual expected aggregated energy savings (kWh); and
- (iii) expected aggregated annual greenhouse gas emissions avoided (tonnes).

# 6. External Review

## 6.1 Second Party Opinion

To increase transparency and to ensure alignment of this Green Bond Framework with the core components of the 2018 GBP, the SBAB Group has appointed a recognised independent second party opinion provider, CICERO (Center for International Climate and Environmental Research-Oslo), to review this Green Bond Framework and verify, *inter alia*, the criteria and processes set out in Sections 2 to 5 above. The work undertaken by CICERO moreover includes a review of the SBAB Group's sustainability report and any other internal guidelines, including SBAB's Policy for Sustainable Enterprise, which CICERO has deemed relevant to verify. The second party opinion is available on the SBAB Group's website ([www.sbab.se](http://www.sbab.se)).

## 6.2 Verification

The SBAB Group will appoint a third party to, on an annual basis, perform a review of and provide assurance regarding the SBAB Group's internal tracking method for the use of proceeds of the SBAB Group Green Bonds and the management of proceeds as described above in Sections 2 and 4.

# ANNEX I: Energy Performance Certificates

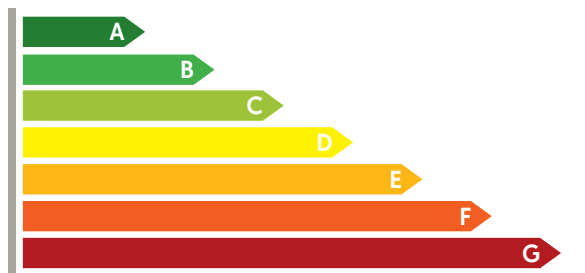
## Energy performance measures

Energy consumption is described in the energy performance certificate in terms of energy performance measures. Energy performance measures indicate how much energy is consumed by heating, air-conditioning, hot tap water and the building's property electricity. All energy consumed for this in one entire year is aggregated and divided by the heated surface of the building. The result is the number of kilowatt-hours (kWh) used per square meter (m<sup>2</sup>). Energy performance is expressed in terms of the unit kWh/m<sup>2</sup> and year.

## Energy classes from A to G

Energy classification is included in the certificates to make it easier to compare buildings with each other and to get an idea of their energy consumption. Energy Class A stands for low energy consumption, and G stands for high. A building that has an energy consumption corresponding to the requirement imposed on a newly built building today is placed in Class C.

## Seven energy classes A to G



Source: www.boverket.se

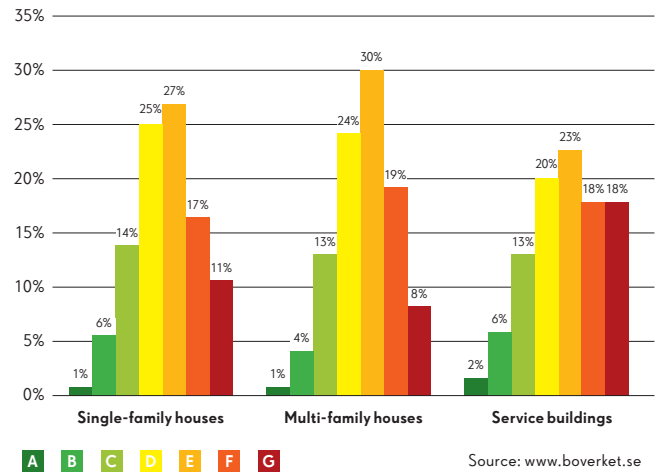
The seven classes on the scale are based on the energy consumption requirement imposed on new buildings built today. These requirements can be found in the building code, BBR (BFS 2011:6) and depend on the type of building, if it is electrically heated or not, and where in Sweden it is situated. Energy Class C corresponds to the particular requirement that would apply to the building if it were built today. Below is a list showing what each energy class stands for.

EP = Energy performance measures of the building in question  
 < = less than or equal to  
 > = more than

- A = EP is < 50 percent of the requirement for a new building.
- B = EP is > 50 - < 75 percent of the requirement for a new building.
- C = EP is > 75 - < 100 percent of the requirement for a new building.
- D = EP is > 100 - < 135 percent of the requirement for a new building.
- E = EP is > 135 - < 180 percent of the requirement for a new building.
- F = EP is > 180 - < 235 percent of the requirement for a new building.
- G = EP is > 235 percent of the requirement for a new building.

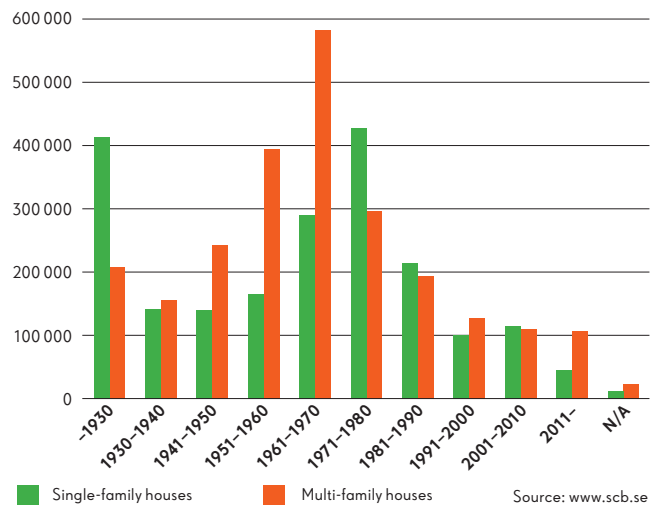
Source: www.boverket.se

Distribution of energy classes (A to G) as per 2016-12-31



Source: www.boverket.se

Number of homes by type of housing and building period



Source: www.scb.se

## ANNEX II: Governance policies and instructions

<b>General Corporate Governance and Ethics</b>	
Policy for Internal Governance and Control (Sw. Policy för intern styrning och kontroll)	Non-Public
Ethical Policy (Sw. Etikpolicy)	Public
Instruction for Compliance (Sw. Complianceinstruktion)	Non-Public
Instruction for independent Risk Control (Sw. Instruktion för oberoende riskkontroll)	Non-Public
Instruction for Internal Audit (Sw. Instruktion för internrevision)	Non-Public
Corporate Governance Report (Sw. Balagsstyrningsrapport)	Public
Annual Report 2017 (Sw. Årsredovisning 2017)	Public
Code of Conduct (Sw. Uppförandekod)	Public
Policy for Sustainable Enterprise (Sw. Policy för hållbart företagande)	Public
Greenhouse Gas Protocol (Dual Reporting) Report 2017 (Sw. Klimatbokslut)	Public
Supplier Code (Sw. Leverantörskod)	Public
Green Bond Framework 2016	Public
Green Bond Impact Report 2017	Public
Sustainability Overview – Credit Granting to Corporates (Sw. Hållbarhetsöversikt – Kreditgivning till företag)	Public
The State's Ownership Policy and Guidelines for State-Owned Enterprises 2017 (Sw. Statens ägarpolicy och riktlinjer för bolag med statligt ägande 2017)	Public
Instruction on issuance of Green Bonds (Sw. Instruktion avseende utgivande av gröna obligationer)	Non-Public
Instruction regarding the Sustainable Bond Committee (SBC) (Sw. Instruktion avseende Sustainable Bond Committee (SBC))	Non-Public
<b>Credit Approval Process</b>	
Credit Policy (Sw. Kreditpolicy)	Non-Public
Credit Instruction (Sw. Kreditinstruktion)	Non-Public
Policy for Anti-Money Laundering and Terrorism Financing, and compliance with financial sanctions (Sw. Policy om åtgärder mot penningtvätt och finansiering av terrorism, samt efterlevnad av finansiella sanktioner)	Non-Public
Instruction for Anti-Money Laundering and Terrorism Financing, and compliance with financial sanctions (Sw. Instruktion om åtgärder mot penningtvätt och finansiering av terrorism, samt efterlevnad av finansiella sanktioner)	Non-Public
<b>Social Governance</b>	
Instruction for Outsourcing (Sw. Instruktion för utläggning av verksamhet)	Non-Public
Policy for Equality and Diversity (Sw. Jämställdhets- och mångfaldspolicy)	Public
Policy for Promoting Diversity of Board of Directors (Sw. Policy för att främja mångfald i styrelsen)	Non-Public
Remuneration Policy (Sw. Ersättningspolicy)	Public
Instruction for handling of Conflict of Interest (Sw. Instruktion för hantering av intressekonflikter)	Non-Public
Work Environment Instruction (Sw. Arbetsmiljöinstruktion)	Non-Public
Anti Bribery and Corruption Instruction (Sw. Instruktion mot mutor och annan korruption)	Non-Public
Instruction for whistleblowing (Sw. Instruktion för visseblåsprocess)	Non-Public



**SCBC**

— Covered Bonds of SBAB —

**SBAB!**