

## **Svensk FastighetsFinansiering AB (publ) (SFF)**

### **Green Bond Framework**

28 August 2018

Svensk FastighetsFinansiering AB is an investment company that issues bonds through a secured MTN program of SEK 12,000 million subject to strict covenants. The bonds are secured with mortgages in certain properties. Through SFF, investors get security in a diversified and high-quality real estate portfolio.

The company was launched in January 2015 and since autumn 2015, SFF maintains a Green Bond Framework for eligible assets. The purpose is to facilitate the financing of climate-smart and ecologically sustainable real estate. SFF is actively working to support the Green Bond market and the company's Green Bonds are listed on the Sustainable Bonds List of Nasdaq Stockholm.

This Green Bond Framework has been developed in alignment with the Green Bond Principles 2018<sup>1</sup>. It is SFF's intention to follow best practices in the market as the standards develop.

#### **EARMARKED ACCOUNT**

An amount equal to the net proceeds of the issue of the notes will be credited to an earmarked account that will support SFF's lending to Eligible Assets. The proceeds will be disbursed directly from the earmarked account to Eligible Assets.

The Green Bonds proceeds will be used to finance properties and are secured by a pool of property assets from the owners/borrowers. Property assets used as security for Green Bonds must meet the Eligible Asset requirements stated below.

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<sup>1</sup> See International Capital Market Association, ICMA: <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

## ELIGIBLE ASSETS

"**Eligible Assets**" means a selected pool of properties funded, in whole or in part, by SFF that promote the transition to low-carbon and climate resilient growth as determined by SFF, as defined below.

### List of Eligible Asset sectors

- New commercial buildings certified, at the time of approval, in accordance with:
  - ✓ LEED (minimum certification "gold"); or
  - ✓ BREEAM including BREEAM In-Use (minimum certification "very good"); or
  - ✓ Miljöbyggnad (minimum certification "silver"); and
  - ✓ 20% less energy use per m<sup>2</sup> and year than required by applicable codes and regulations (Boverket's<sup>2</sup> Building Regulations, BBR)
  
- Existing commercial buildings where major renovations have been made leading to significant reductions in the energy use to 105 kWh per m<sup>2</sup> (A<sub>temp</sub>) and year or lower and with certification in accordance with:
  - ✓ LEED (minimum certification "gold"); or
  - ✓ BREEAM including BREEAM In-Use (minimum certification "very good"); or
  - ✓ Miljöbyggnad (minimum certification "silver")
  
- Commercial buildings to be certified, in accordance with:
  - ✓ LEED (minimum certification "gold"); or
  - ✓ BREEAM including BREEAM In-Use (minimum certification "very good"); or
  - ✓ Miljöbyggnad (minimum certification "silver"); and
  - ✓ 20% less energy use per m<sup>2</sup> and year than required by applicable codes and regulations (Boverket's Building Regulations, BBR); and
  - ✓ The certification process has started by registering the property at the built environment certification body; and
  - ✓ The property is expected to get the certificate within a time frame of maximum 12 months

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<sup>2</sup> Swedish National Board of Housing, Building and Planning

## **SELECTION OF ELIGIBLE ASSETS**

Eligible Assets are selected by SFF's Treasury Department, and supported by a side letter where the borrower(s) commits to use the proceeds in accordance with the criteria set out in the SFF Green Bond Framework. All decisions to issue Green Bonds are made by SFF's Board of Directors.

The robust planning and preparation for a certain certification level ensures a high level of certainty that a property will reach the sought certification level. However, if for any reason, a property would not reach the anticipated certification level, that asset will be removed from the Green asset pool and replaced by an asset that qualifies in accordance with SFF's Green Bond Framework.

## **TRANSPARENCY**

To enable investors to follow the development and to provide insight to prioritised areas SFF will provide an annual Investor Report including;

1. a list of the projects financed including information about amounts allocated, a brief project description and the expected impact; and
2. a summary of SFF's Green Bond development

As set out in the side letter, respective borrower(s) will provide SFF with relevant property and project information to be included in the Investor Report. Such information will include information such as certification, progress report on properties that are in a certification process, energy consumption metrics and, when feasible, other key metrics relevant to the environmental impact from the financed asset(s). The Board of SFF (consisting of members from each owner company) will approve the Investor Reports.

To ensure transparency towards stakeholders the Investor Report will be made publically available on SFF's webpage, as will the Green Bond Framework and Second Opinion.

Furthermore, SFF will also provide project information for each Green Bond issue on its webpage. The Board of SFF will approve such information.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Investor Report will be verified by SFF's internal auditor. The opinion of the internal auditor will be made publically available on SFF's webpage.

## APPENDIX 1

### SIDE LETTER TEMPLATE

**THIS SIDE LETTER** is dated [ ] and made between:

[Insert] (Organizational number [insert]) as borrower (the "**Borrower**"); and

SFF as lender (the "**Lender**")

**IT IS AGREED** as follows

1. The Borrower's credit facility (the "**Green Loan**") in an aggregate amount of [insert] for the purpose of [insert project / sought environmental rating] (the "**Property(ies)**"), which qualifies as an eligible project according to the Lender's Green Bond Framework ("**Green Bond Framework**").
2. The Borrower gives its consent to that the Lender once a year (or such other frequency the Lender in its sole discretion decides) may make a Green Bond report publicly available that includes the Borrower's name and summary information of the Property(ies) that the Green Loan has financed.
3. If such conditions occur that makes it impossible for the Borrower to use the Green Loan for the Property(ies) the Borrower shall be allowed to use the funds for general corporate purposes instead and immediately notify the Lender.
4. This side letter shall only be valid for as long as the Borrower can meet the qualifications stated in section 1 above and, for the avoidance of doubt, the qualifications in section 1 above shall not be deemed to be undertakings of the Borrower under the Green Loan and will therefore, if breached, not be considered as an event of default as regulated by section [insert] of the loan facility.

[Borrower]

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[Lender]

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## APPENDIX 2

SFF's Green Bond selection process flowchart

