

ASSESSMENT

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SBP Kredit AB

Second Party Opinion – Green Finance Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to SBP Kredit AB (SBP Kredit)'s green finance framework dated December 2024. The issuer has established its use-of-proceeds framework with the aim of financing projects in one eligible green category — green buildings. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1) and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023. The framework demonstrates a significant contribution to sustainability.

Sustainability quality score

SQS5
Weak

SQS4
Intermediate

SQS3
Good

SQS2
Very good

SQS1
Excellent

SQS2

Alignment with principles
USE OF PROCEEDS

Overall alignment

Not aligned

Partially aligned

Aligned

Best practices

FACTORS	ALIGNMENT
Use of proceeds	██████████ ▾
Evaluation and selection	██████████ ▾
Management of proceeds	██████████ ▾
Reporting	██████████ ▾

Contribution to sustainability

Final contribution to sustainability

Poor

Limited

Moderate

Significant

High

Preliminary contribution to sustainability
Relevance and magnitude

██████████ ▾

██████████ ▾

Additional considerations: **No adjustment**

POINT-IN-TIME ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the green credentials of SBP Kredit's green finance framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023. Under its framework, the fund plans to issue green bonds to finance projects across a single green category, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 28 November 2024, and our opinion reflects our point-in-time assessment¹ of the details contained in this version of the framework, as well as other public and non-public information provided by the financing institution.

We produced this SPO based on our [Assessment Framework: Second Party Opinions on Sustainable Debt](#), published in November 2024.

Issuer profile

Founded in 2016, SBP Kredit AB (SBP Kredit) is the financing arm of the Svensk Bostadspartner group. As such, it provides financing for real estate projects, typically residential developments but also some elderly care facilities, either in the form of senior facilities with collateral or as junior facilities on top of senior facilities provided by a bank. SBP Kredit's real estate specialization and expertise allows it to work with its clients from construction start through project completion. The company has an estimated total amount of outstanding loans of SEK6.3bn (USD 575m), with most of these loans with a tenor between 1 to 3 years to small and medium-sized real estate companies throughout Sweden. As of Q3 2024, the average loan volume (excluding approved loans not paid out) was SEK22m (USD 2m) with an average initial tenor of 19 months.

SBP Kredit's sustainability strategy focuses on four main areas: climate change, social sustainability, healthy and sustainable lifestyles, and economic sustainability.

Strengths

- » The single green buildings category targets key sustainability challenges for the real estate investment sector by increasing energy efficiency and decreasing carbon emissions.
- » Most operational energy thresholds used as eligibility criteria are considered ambitious
- » Projects are located in Sweden only, where legislation guarantees that all new buildings perform a life-cycle assessment measuring embodied emissions.

Challenges

- » For newly constructed buildings making up the majority of the portfolio, the issuer has not specified thresholds for embodied emissions, despite these making up a significant share of life cycle emissions for Swedish buildings.
- » Although the issuer estimates only a very small share of projects would be eligible based on certifications alone, we note that green building certifications do not guarantee a minimum level of energy performance.

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Alignment with principles

SBP Kredit's green finance framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023. For a summary alignment with principles scorecard, please see Appendix 1.

- | | |
|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP) | <input checked="" type="checkbox"/> Green Loan Principles (GLP) |
| <input type="checkbox"/> Social Bond Principles (SBP) | <input type="checkbox"/> Social Loan Principles (SLP) |
| <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

Use of proceeds



Clarity of the eligible category – BEST PRACTICES

SBP Kredit has clearly communicated the nature of expenditures, as well as the eligibility and exclusion criteria for the single eligible category of green buildings. The eligibility criteria in the framework make reference to applicable EU Taxonomy criteria. All assets and projects are located in Sweden.

Clarity of the environmental or social objectives – BEST PRACTICES

SBP Kredit has clearly outlined the environmental objective as climate change mitigation, which is relevant for the eligible category and is coherent with recognized international standards, including the EU Taxonomy and the United Nations' (UN) Sustainable Development Goals (SDGs).

Clarity of expected benefits – BEST PRACTICES

The expected environmental benefits are clear and relevant for the eligible category. These benefits are measurable, and the company will report on these quantitative benefits in its ongoing reporting. Refinancing is defined as green eligible loans disbursed before the reporting year and is estimated to be equivalent to 50% of the proceeds. The information will be disclosed publicly in the issuer's investor report. The issuer discloses in its framework that there is no lookback period per se, but rather the age of included eligible projects is limited by the maximum duration and tenor of the loans. As the tenor of SBP Kredit's loans is typically 1 to 3 years, the oldest loans would typically be around 4 years.

Process for project evaluation and selection

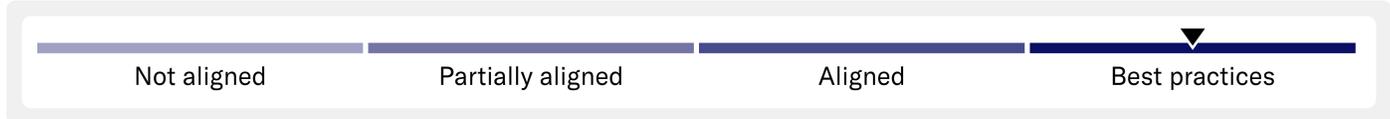


Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

SBP Kredit has established a clear and structured decision-making process for determining the eligibility of projects and assets which is detailed in the publicly available framework.

The company has established a Green Finance Committee (GFC), responsible for the evaluation and selection of the eligible loans. Members of the GFC consist of the CEO, CFO and the head of investor relations. The GFC will convene at least annually and SBP Kredit will assure that the sustainability expertise always relies within the GFC. As disclosed in the framework, the GFC will review the eligibility of Green Eligible Loans on a regular basis (at least annually) to ensure there is sufficient volume of Green Eligible Loans in the internal tracking spreadsheet. If for any reason a Green Eligible Loan ceases to comply with the requirements set out in the Framework, such loan will be removed from the internal tracking spreadsheet. The process to identify and manage environmental and social risks has been disclosed in the framework. For example, climate risk assessments are carried out as part of the credit process and lending criteria when SBP Kredit's borrowers are assessed.

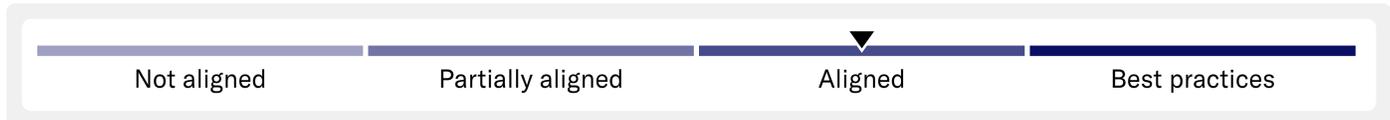
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

SBP Kredit has clearly defined the process for the allocation and tracking of proceeds in its framework. The company is committed, on a best effort basis, to fully allocate the proceeds within 12 months. Any unallocated proceeds will be temporary held by SBP Kredit and placed on the company's ordinary bank account or in the short-term money market. At least annually, the company will keep track and ensure there is a sufficient volume of green eligible loans. The internal tracking spreadsheet will be updated as needed, removing projects that cease to comply with the eligibility criteria.

Reporting



Reporting transparency – ALIGNED

SBP Kredit has committed to provide annual allocation and impact reporting until full allocation, and in the event of material developments while instruments are outstanding. The report will be publicly available on the company's website and will cover relevant information about the allocation of proceeds and the expected sustainable benefits of the projects. SBP Kredit intends to report on quantitative impact indicators, where relevant data is available and based on SBP's financed share of each project. Calculation methodologies and assumptions used will be shared in the investor report, in case quantitative impact indicators are reported. On an annual basis, the allocation report will be subject to external review, which report will be available on SBP's website. However, there will not be an independent assessment of environmental impact.

Contribution to sustainability

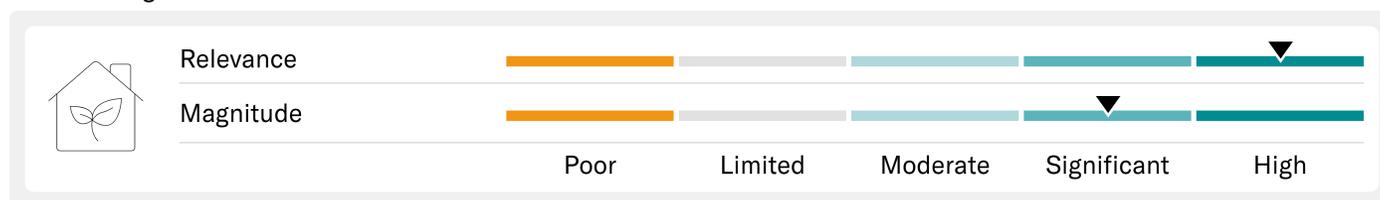
The framework demonstrates a significant overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible projects, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the single eligible project category. A detailed assessment is provided below.

Green buildings



Investment in the energy efficiency of buildings is highly relevant for addressing climate change for the issuer and its sector, and for the country context. Regarding the geographic context, the building sector's energy consumption is considered significant to address in a country where the 'low-hanging fruit' of electricity supply has already been addressed, given the already very clean energy supply in Sweden. In Sweden, the building sector accounts for 20% of the country's greenhouse gas (GHG) emissions and almost 40% of total energy use.² Reducing emissions and improving energy efficiency in the building sector are key to achieving the country's GHG emissions reduction targets, and the overall sector aims to achieve a 50% reduction in GHG emissions by 2030 compared to 2015 levels, with a goal of reaching net-zero by 2045.³ For a lending institution focused exclusively on real estate, as is the case with SBP Kredit, focusing on the energy efficiency and GHG emissions of buildings is considered the most material sustainability issue.

The overall magnitude is considered significant, primarily due to the combination of stringent operational efficiency thresholds and the lack of specific thresholds for embodied emissions of newly constructed buildings, which represent the majority of the allocation. Specifically, the issuer reports that approximately 80% is estimated to be allocated toward new construction, meaning buildings built after 2021, with a small portion allocated to acquisition and to renovation. The issuer's portfolio is mostly residential, with both houses and apartment buildings, but also includes some care homes. Across all building related activities, eligibility criteria make reference to, and have been designed to comply with, applicable substantial contribution criteria of the EU Taxonomy.

For new buildings, stringent operational energy thresholds are applied, which substantially mitigates the risk of carbon lock-in of the assets overtime. New buildings must either demonstrate an energy performance certificate (EPC) of A or B, or adhere to a threshold of energy performance of 10% below the Nearly-Zero Energy Building (NZEB) standard to be considered eligible. Apartments adhering to either criterion are in line with the long-term 1.5°C-compatible energy performance as calculated by the Carbon Risk Real Estate Monitor (CRREM). For Swedish houses, the EPC A or B criterion is ambitious, but following NZEB-10% does not ensure adherence to the most ambitious standard. Notably, houses adhering to the latter criterion are in line with the medium term, but not the long term, 1.5°C-compatible CRREM threshold.

While new buildings are subject to life-cycle assessments (LCAs) that measure embodied emissions from construction materials and the construction process, the issuer has not set specific criteria or quantitative thresholds relating to such emissions. Swedish legislation requires all new buildings since 1 January 2022 to have a climate declaration, including an LCA covering the product stage, transport, and construction process (life cycle stages A1-A5). The issuer confirms that this covers all borrowers to SBP Kredit. Beyond this, the issuer has not set specific thresholds related to embodied emissions, besides a general commitment to favor wood as a construction material. Embodied emissions typically represent at least 30% (and often more depending on LCA calculation assumptions) of a building's life cycle emissions in the Swedish and Nordic context.^{4,5}

For the acquisition of existing buildings (built before 2021), the eligibility criterion requiring these buildings to belong to the top 15% of the country's building stock in terms of energy efficiency is considered a very good threshold in the Swedish context. In Sweden, apartment buildings, houses, and care homes in the top 15% are in line with the medium term (2033) CRREM threshold but above the long-term 1.5°C threshold. Renovations must demonstrate an improvement in energy efficiency that results in an annual reduction of primary energy demand (PED) of at least 30%, which is in line with good market standards but not the most ambitious ones.

Building certifications generally do not, on their own, provide full visibility into buildings' energy efficiency or ensure a good level of energy performance. Of the certifications chosen by the issuer, with a minimum level set by the issuer at Miljöbyggnad "Silver," LEED "Gold," BREEAM "Very Good," the Nordic Swan Ecolabel or Passive house, the BREEAM and LEED thresholds are not considered highly ambitious. However, the issuer has confirmed that currently 0% of buildings, and only a very small share of buildings over time, may be eligible through the use of building certifications alone, with the rest of the portfolio satisfying operational energy criteria and thresholds.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

Regarding ESG risks, SBP Kredit has adequate and comprehensive assessment processes in place. Climate risk and biodiversity risk assessments are carried out as part of the credit process and lending criteria, for instance to identify whether potential projects are situated in sensitive areas, such as nature reserves, wetlands, or areas with high ecological value. On social risks, especially related to construction, SBP conducts site visits at projects to identify any potential hazards or other safety risks and also embeds social obligations in its contracts. SBP conducts credit, anti-money laundering, and other checks on its customers to mitigate governance risks.

SBP Kredit's investments are considered coherent with its wider sustainability strategy. SBP Kredit has a sustainability strategy focused on four pillars of climate and environmental impact; social sustainability; healthy and sustainable modes of living; and sustainable economic development. While SBP Kredit seems not to have set quantitative GHG reduction targets, the lending institution does aim to produce energy efficient buildings and projects with reduced energy consumption; increase the share of renewable energy use; and minimize waste in the construction phase. By evaluating which projects and properties it should finance and choosing energy-efficient properties that are built in sustainable materials, SBP Kredit can contribute to reducing emissions and negative climate impacts, for instance through favoring the use of wood as a construction material.

Appendix 1 - Alignment with principles scorecard for SBP's green financing framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score	
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	Best practices	
		Definition of content, eligibility and exclusion criteria for nearly all categories	A			
		Location	A			
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes			
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices		
		Coherence of project category objectives with standards for nearly all categories	A			
		BP: Objectives are defined, relevant and coherent for all categories	Yes			
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices		
		Measurability of expected benefits for nearly all categories	A			
		BP: Relevant benefits are identified for all categories	Yes			
		BP: Benefits are measurable for all categories	Yes			
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes			
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes			
	Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A		Best practices
			Disclosure of the process	A		
Transparency of the environmental and social risk mitigation process			A			
BP: Monitoring of continued project compliance			Yes			
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices		
		Periodic adjustment of proceeds to match allocations	A			
		Disclosure of the intended types of temporary placements of unallocated proceeds	A			
		BP: Disclosure of the proceeds management process	Yes			
		BP: Allocation period is 24 months or less	Yes			
Reporting	Reporting transparency	Reporting frequency	A	Aligned		
		Reporting duration	A			
		Report disclosure	A			
		Reporting exhaustivity	A			
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	No			
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes			
		BP: Disclosure of reporting methodology and calculation assumptions	Yes			
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes			
BP: Independent impact assessment on environmental and social benefits	No					
Overall alignment with principles score:					Aligned	

Appendix 2 - Mapping eligible category to the United Nations' Sustainable Development Goals

The single eligible category included in SBP's framework are likely to contribute to three of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals		SDG Targets
GOAL 7: Affordable and Clean Energy	<i>Green Buildings</i>	7.3: Double the global rate of improvement in energy efficiency
GOAL 11: Sustainable Cities and Communities	<i>Green Buildings</i>	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 13: Climate Action	<i>Green Buildings</i>	13.3: Improve awareness and human and institutional capacity on climate change mitigation, adaptation and impact reduction

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project category and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible category in SBP's framework

Eligible Project Category	Description	Sustainability Objective	Impact Reporting Metrics
Green Buildings	<p><u>New buildings</u></p> <p>Loans to buildings incl. land that either have or will receive:</p> <ul style="list-style-type: none"> • Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly Zero Energy Building (NZEB) according to national building regulations , or • Energy Performance Certificate (EPC) A or B, or • Minimum certification of Miljöbyggnad "Silver" or Nordic Swan Ecolabel or Passive house or LEED "Gold" or BREEAM "Very Good" <p><i>Additional criteria for buildings larger than 5,000 sqm :</i></p> <ul style="list-style-type: none"> • The building undergoes testing for air-tightness and thermal integrity, upon completion; and • The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle <p><u>Existing buildings</u></p> <p>Loans to buildings incl. land that either have or will receive:</p> <ul style="list-style-type: none"> • EPC A or qualifying within top 15% of the national building stock expressed as operational PED and demonstrated by adequate evidence , or • Minimum certification of Miljöbyggnad/Miljöbyggnad iDrift "Silver" or Nordic Swan Ecolabel or Passive house or LEED "Gold" or BREEAM/BREEAM In-Use "Very Good" <p><u>Major renovations</u></p> <ul style="list-style-type: none"> • PED savings of at least 30% within maximum of three years 	Climate Change Mitigation	<ul style="list-style-type: none"> • Estimated annual GHG emissions reduced/avoided (tCO₂e) • Estimated annual energy reduced/avoided below national building standards (kWh/sqm, or %) or other relevant benchmark • Type of environmental certification (e.g., Miljöbyggnad Silver) • EPC class (if any), or within top 15%

Endnotes

¹ The point-in-time assessment is applicable only on the date of assignment or update.

² Swedish Energy Agency, "[Energy consumption](#)," retrieved Dec 2024.

³ Fossil Free Sweden, "[Building and construction sector](#)," retrieved in June 2024.

⁴ Petrović et al. (2021), "[Life Cycle Cost Analysis of a Single-Family House in Sweden](#)", *Buildings* 11(5)

⁵ Rinne et al. (2022), "[Comparative Study on Life-Cycle Assessment and Carbon Footprint of Hybrid, Concrete and Timber Apartment Buildings in Finland](#)," *Int. J. Environ. Res. Public Health* 19(2)

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