



SBAB Group Green Bonds Q&A

21 January 2019

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General questions

1. What is a Green Bond?

A Green Bond is defined in the Green Bond Principles as:

“Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects (see section 1 Use of proceeds) and which are aligned with the four core components of the GBP.”

See more about the Green Bond Principles (GBP) at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

2. Why does SBAB Group issue Green Bonds?

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, based on the 2018 GBP, SBAB wishes 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.

SBAB Group's 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.

3. What entities within SBAB Group can issue Green Bonds and what documentation can be used?

The 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. 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.

4. Do investors in SBAB Group Green Bonds have recourse to specific securities compared to investors in regular bonds from the SBAB Group?

No. 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 in the Green Bond Framework) 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 in the Green Bond Framework) held by SCBC may form part of the Cover Pool.

Sustainability at SBAB Group

5. Is Green Bond issuance part of SBAB Group's overall sustainability agenda?

Yes. SBAB have integrated sustainability to its business. Green financing as well as green mortgages is part of this agenda among other sustainability areas.

6. How is sustainability integrated in SBAB's overall strategy and operations?

In the process of creating a sustainable society, the business community, including SBAB, has a decisive role to play, especially in times when we see uncertainty and ignorance in the housing market. We are passionate about our mission - help improve housing quality and household finances and take our task as a bank in this market for the most part. With openness and transparency do we want to improve the view of the banking and finance industry while helping our customers to realise their dreams — dreams of a home. We are convinced that we are helping to solve many of the society's challenges we face today through our business.

With our mission as a starting point, we have reviewed our strategy of sustainable businesses and realize that we no longer distinguish between business goals and sustainability goals. SBAB thinks it's an old and in many ways inefficient way of working - the foundation for all activities must be sustainable. For each focus area, we have established a strategy and decided on directly measurable and followable goals. Together they form the basis for how we will drive our business forward and contribute to a sustainable development.

7. Which are SBAB's sustainable business goals

We govern our business within three overall business and sustainable target areas;

- Responsibility and transparency
- Attractive workplace
- Sound finance

We contribute to the Sustainable Development Goals

- Goal 8: Decent Work and Economic Growth
- Goal 11: Sustainable Cities and Communities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate action

We have identified and prioritized four of the UN's 17 Sustainable Development Goals, which we consider to be particularly important and relevant to our operations. The selected goals have been decided based on extensive analysis work in the form of internal workshops and ranking exercises in business, management and board. The goals form an integral part of our sustainable management model and thus daily work.

8. How is sustainability measured and followed up?

Sustainability is reported as an integral part of SBAB's Annual Report. SBAB applies Global Reporting Initiative's (GRI) Sustainability Reporting Framework, GRI Standards, Level Core, and GRI G4 Sector Disclosures, Financial Services.

SBAB joined the UN Global Compact 2009. The commitment to the Global Compact follows that SBAB reports on the implementation of the Global Compact's ten principles in an annual Communication on Progress (COP).

SBAB's sustainability report is quality assured through independent auditing and certification.

9. Flood risk for properties is of particular concerns in vulnerable geographic regions. Are you doing any screenings for potential impacts from more extreme weather events, such as flooding?

SBAB are not screening for this at the moment (other than the climate risk analysis carried out in local building legislations). However, SBAB has undergone an extensive gap analysis focusing on sustainability risks and opportunities in our business.

Building climate resilience and assessing flooding risks for our assets is one of our focus areas from this GAP-analysis. Our first step is to analyse climate scenarios and thereafter perform stress tests and screening.

It is our ambition to create an understanding among customers on the long term climate effects in vulnerable geographic areas and help them build resilience. We are also following the TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

SBAB Green Bonds

10. Does SBAB's Green Bond set-up meet the requirements stated in the Green Bond Principles?

Yes, SBAB Group's Green Bond Framework is developed in alignment with the Green Bond Principles (June 2018) and its four core components:

1. Use of proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

In addition to meeting these four core components, SBAB Group's Green Bond set-up also follows the recommendation to acquire an external review, see more in question 32 and the recommendation to acquire an assurance regarding the internal tracking method for the use of proceeds, see more in questions 39.

Use of proceeds

11. How is Use of proceeds defined and how does that differ from SBAB's Green Bond Framework from 2016?

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 categories described in the table below. 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 in the Green Bond Framework.

Green buildings and energy efficiency - requirements in updated vs. previous framework for green bonds

Main categories	Sub-categories	Framework dated 2018	Framework dated 2016
Residential buildings, private clients*	New & existing buildings	(i) Has obtained Energy Performance Certificate ("EPC") with energy class A or B (where the construction was initiated on or after 1 January 2014) (ii) Has obtained EPC with energy class A, B or C (where the construction was initiated before 1 January 2014) (iii) Has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above	Non existing
	Reduction of energy usage	Final energy use per sq.m. & year on the property has been reduced by at least 30%, as evidence e.g. by a new EPC	Non existing
Residential buildings, tenant-owner associations	Existing buildings	(i) Has obtained EPC with energy class A or B (where the construction was initiated on or after 1 January 2014) (ii) Has obtained EPC with energy class A, B or C (where the construction was initiated before 1 January 2014) (iii) Has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above	(i) EPC with energy class A or B (ii) Miljöbyggnad (minimum certification "Silver") (iii) Svanen (Eng. Nordic Swan) (iv) Passivhus (Eng. Passive House) (v) GreenBuilding (vi) LEED (minimum certification "Gold") (vii) BREEAM or BREEAM-SE (minimum certification "Excellent")
	Reduction of energy usage	Final energy use per sq.m. & year on the property has been reduced by at least 30%, as evidence e.g. by a new EPC	Final energy use per sq.m & year on the property will be or has been reduced by 35%
	Energy efficiency and other green investments	Activities in buildings with intention to reduce the energy use (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. Gröna Lån) in accordance with the terms set out from time to time on www.sbab.se	Non existing
Residential & commercial buildings, corporate clients	New construction incl. major renovations	(i) EPC with energy class A or B (ii) Miljöbyggnad, (minimum certification "Silver") (iii) Svanen (Eng. Nordic Swan) (iv) Passivhus (Eng. Passive House) (v) GreenBuilding	(i) EPC with energy class A or B (ii) Miljöbyggnad (minimum certification "Silver") (iii) Svanen (Eng. Nordic Swan) (iv) Passivhus (Eng. Passive House) (v) GreenBuilding (vi) LEED (minimum certification "Gold") (vii) BREEAM or BREEAM-SE (minimum certification "Excellent")
	Existing buildings	(i) Has obtained EPC with energy class A or B (where the construction was initiated on or after 1 January 2014) (ii) Has obtained EPC with energy class A, B or C (where the construction was initiated before 1 January 2014) (iii) Has an energy performance equivalent to a new EPC with the required criteria set out in (i) or (ii) above	Non existing
	Reduction of energy usage	Final energy use per sq.m. & year on the property has been reduced by at least 30%, as evidence e.g. by a new EPC	Final energy use per sq.m & year on the property will be or has been reduced by 35%
	Energy efficiency and other green investments	Activities in buildings with intention to reduce the energy use (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. Gröna Lån) in accordance with the terms set out from time to time on www.sbab.se	Non existing

*Private clients who own properties (Sw. Fastigheter) and/or tenant-owners' rights (Sw. bostadsrätter)

12. What is an Energy Performance Certificate?

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 (m²). Energy performance is expressed in terms of the unit kWh/m² and year.

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.

13. How does your framework respond to the Technical Expert Group (TEG) on Sustainable Finance future definitions of energy efficiency?

In the latest consultation report (December 2018), TEG consider the Energy Performance of Buildings Directive being a useable standard. Quote from TEG-report: *"There are considerable advantages to aligning with an established legislative standard which is flexible, comprehensive and dynamic, taking into account building category, typology, physical boundary, type and period of balance, included energy uses, renewable energy sources (RES), cost optimality, etc."*

TEG also suggests that renovations of buildings should achieve a 50% reduction of energy-, or CO₂ footprint. Our current framework (with 30% energy reduction) is not meeting this preliminary suggestion at the moment.

14. How does your framework respond to the Energy Efficient Mortgages Action Plan's definition of an energy efficient mortgage?

Energy Efficient Mortgages Initiative's definition: *"Energy performance which meets or exceeds relevant market best practice standards in line with current EU legislative requirements and/or (2) an improvement in energy performance of at least 30%".* We are requiring a better EPC than what current building norms are stipulating. The Energy Efficient Mortgages Initiative also suggests that the EPC level should be 2 grades above average to be defined as "green". The national ECP average for single-, and multi-family houses is EPC E.

We are in line with definition of an improvement in energy performance of 30%.

15. There will be improvements in the national and international standards for energy efficiency over time in order to reach the 2050 targets. What are your thoughts on that?

We are at the moment focusing on the 2025 goals where the efficiency of buildings needs to improve by 30% in order to reach the Paris Agreement well below 2°C climate goal and our new framework is responding to that.

In a neutral carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments and self-production of renewable energy. We are following the development of national building standards as well as relevant Position Papers on Green Bond standards.

16. Can proceeds from SBAB Group Green Bonds be used to refinance Eligible Green Loans? If so, how long is the look-back period and how is refinancing defined?

Yes, no limitation when it comes to look back period, and as long as the loans are eligible under the relevant green bond framework the proceeds can be used for refinancing.

17. Can SBAB's Green Bonds finance fossil projects? Does the Green Bond Framework stipulate any other exclusion criteria?

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 or refinancing of any of the above.

Process for project evaluation and selection

18. What process for project evaluation and selection will SBAB Group use?

The SBAB Group has established a Sustainable Bond Committee, currently consisting 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 in the Green Bond Framework. 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.

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 Private Lending department or SBAB's Corporate Clients, Real Estate Valuations & Tenant-Owner Association departments based on the eligibility criteria described in Section 2 in the Green Bond Framework 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.

Project Evaluation

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

19. What happens if an approved Eligible Green Loan ceases to meet the eligibility criteria or is sold?

Should the Sustainable Bond Committee in connection to the annual evaluation or at any other time 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. Similarly, if an Eligible Green Loan is repayed, it will be removed from the portfolio of Eligible Green Loans.

20. Are any of the properties/buildings SBAB lends to heated by fossil fuel sources (oil)? Any specific exclusion of these in the framework?

While heating in Sweden tends to be majority renewables-based, some fossil fuel generation remains. We are not categorizing heating sources and are not excluding fossil fuel sources due to lack of system and data availability. Our main focus of this framework is on energy efficiency. The residential and service sectors account for almost 40% of the total energy use in Sweden. It is important to improve the energy performance of old houses as well as making new buildings meet and exceed current building standards in order to meet national and international energy goals.

21. Are you focusing on energy efficiency in all project categories?

Yes, that is the main focus of this framework. Our ambition is to stimulate the demand for energy efficient buildings as well as creating opportunities and incentives (by offering discounted loans) for customers to invest and implement energy improving measures in their homes and properties – in existing and new buildings.

22. Has there been any consideration around transportation solutions and construction phase (building material and waste considerations). Could you please elaborate on how you work on these issues?

We haven't taken a life cycle perspective on building material, transportation or waste management other than the perspectives covered by the certification criteria; Miljöbyggnad, (minimum certification "silver") Svanen (Nordic Swan), Passivhus (Passive House).

Management of proceeds

23. How will management of proceeds (internal accounting) be handled?

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 in the Green Bond Framework, where an Eligible Green Loan may be held by either SBAB or SCBC.

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 in the Green Bond Framework 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 in the Green Bond Framework).

24. Will SBAB Group apply a portfolio or project approach for its management of proceeds?

The net proceeds received by the SBAB Group through the issuance of SBAB Group Green Bonds will be managed by the SBAB Group in a portfolio approach.

25. Will SBAB Group match the total amount of outstanding Green Bonds with its portfolio of Eligible Green Loans?

Yes, 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.

26. How will SBAB Group invest unallocated proceeds, if any?

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.

27. What is your current and projected (next 5 years) distribution of proceeds to finance the different categories?

"Energy efficient buildings" is the biggest category holding a majority of our green assets. The EPC-register is accessible and a viable document that we can use on a scalable level across all our product categories; corporate, tenant owner associations and retail.

"Reduction of energy" is not fully developed for the retail section other than proven progress between two EPC-declarations. We want to include a more sophisticated energy reduction perspective to our lending products but need to find a viable methodology to evaluate the reduction and make it scalable. We are having a dialogue with companies and authorities (the National Board of Housing) who can deliver such methodology and technology. This category is expected to grow bigger over time.

Reduction of energy is more developed for the corporate and tenant owners' association section since we have a product ("Gröna lån") focusing on actions for energy reduction. The data is assumed to be easier to access than for retail since the counterpart has a deeper understanding of the energy performance and the historical data.

Reporting

28. Will the SBAB Group provide regular reporting to investors and the general public?

Yes, 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:

- (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).

29. Will the SBAB Group provide impact reporting?

Yes, 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 potentially 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 emissions 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).

30. What is impact reporting?

Investors are increasingly requesting impact reporting on the Green Bonds in which they have invested, i.e. that the environmental benefits of the financed projects are described. This is also a recommendation in the Green Bond Principles (June 2018):

“Transparency is of particular value in communicating the expected impact of projects. The GBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, decrease in water use, reduction in the number of cars required, etc.), and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Issuers with the ability to monitor achieved impacts are encouraged to include those in their regular reporting.”

External verification

31. Has an external review (a Second Opinion) on SBAB Group's Green Bond Framework been made by independent environmental experts?

Yes, SBAB Group has commissioned the Center for International Climate Research, CICERO, to issue an independent external review in the form of a Second Opinion on the Group's Green Bond Framework. The Second Opinion as well as the Green Bond Framework is available at SBAB Group's website (www.sbab.se).

32. What shade of green has CICERO assigned to SBAB Group's Green Bond Framework?

CICERO assigned Medium Green to the framework overall as well as to all the underlying eligible categories described under Use of Proceeds in the Green Bond Framework.

33. What is the conclusion in CICERO's Second Opinion?

Quote from page 2 in the Second Opinion:

*"The SBAB Group has solid management and governance structures, as well as plans for regular and transparent reporting about green bond project achievements to investors and the public. **The overall assessment of the governance structure of SBAB's Green Bond Framework is a rating of Excellent, in acknowledgement of the issuer's detailed plans for the selection and reporting aspects of eligible projects.** We note that the annual impact report will be verified by a third party. The bank's sustainability profile more broadly is strong as well, with a strong focus on energy efficiency in both its investment portfolio and own operations. Moreover, SBAB undertakes sustainability reporting in accordance with GRI (Core) principles and is a signatory of UN Global Compact. Nevertheless, we note that other sustainability metrics, such as clean air, water, and waste receive less attention – both in the selection of buildings to include in the green bond portfolio as well as the bank's internal environmental footprint. Also, SBAB does not currently track the heating sources of its properties. Another potential area of improvement is risk: the bank does not currently carry out climate scenario analysis or risk assessments of its property portfolio, but has recently undertaken a GAP analysis of sustainability issues and is now intending to start such assessments.*

Based on the overall assessment of the project types that will be financed by the green bonds and governance and transparency considerations, SBAB's Green Bond Framework receives a Medium Green shading."

34. How has CICERO motivated the rating "Excellent" on SBAB Group's governance structure?

Quote from page 13 in the Second Opinion:

"The overall assessment of the governance structure of SBAB gives it a rating of Excellent. The high score is mainly an acknowledgement of the issuer's detailed plans for the selection and reporting aspects of green bond eligible projects. Moreover, the bank's sustainability reporting is, as of 2017, integrated with its Annual Report indicating that the issuer has a holistic outlook on performance. It has a strong focus on the energy efficiency of the properties in its loan portfolio, as well as its own energy use. Nevertheless, we note that other sustainability metrics, such as clean air, water, and waste receive less attention – both in the selection of buildings to include in the green bond portfolio as well as the bank's internal environmental footprint.

SBAB undertakes sustainability reporting in accordance with GRI (Core) principles and is a signatory of UN Global Compact. The bank does not currently carry out climate scenario analysis or risk assessments of its property portfolio but has recently undertaken a GAP analysis of sustainability issues and is now intending to start such assessments."

35. Does CICERO highlight any strengths in the Second Opinion?

CICERO elaborates on the following strengths on page 14 in the Second Opinion:

- *"At the end of 2017, SBAB issued a Green Bonds Impact Report for the two bonds issued in 2016 and 2017 respectively under SBAB's Green Bond Framework from 2016. The impact report is clear and transparent on methodological aspects, which bodes well for what investors can expect from reporting on green bonds issued based on the current SBAB Group's Green Bond Framework.*
- *CICERO is encouraged by the issuer's internal consistency and methodological transparency on this aspect.*
- *It is a strength of the SBAB Green Bond Framework that the impact report will be externally verified.*
- *It is a sign of the issuer's concern about long term sustainability that it offers discounted green loans to tenants' associations (for energy efficiency and other green investments)."*

36. Does CICERO highlight any weaknesses in the Second Opinion?

Quote from page 15 in the Second Opinion:

“We find no substantial weaknesses in SBAB’s Green Bond Framework. However, the bank would benefit from the use of climate scenario analysis to expose potential risks to its portfolio of properties. We are pleased to know that the application of such analyses is in the pipeline. Moreover, the issuer could consider increasing the monitoring of non-energy related sustainability metrics of its business going forward, such as for waste and employee transportation methods.”

37. What is a Second Party Opinion?

A second-party opinion is one type of external review according to the Green Bond Principles (2018) and is defined as follows:

“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.”

38. Will SBAB engage an external auditor or other third party to verify the internal tracking method and the allocation of funds from Green Bond proceeds as recommended in the Green Bond Principles?

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 in Sections 2 and 4 in the Green Bond Framework.

Green Bond issuance

39. Does SBAB Group intend to be a frequent issuer of Green Bonds?

Not a frequent, but SBAB aims to be a regular issuer of Green Bonds. The volume of green bonds depends on the development of eligible green loans.

40. Does SBAB Group intend to prioritize green investors in the final allocation?

That is the ambition and SBAB has the final say, but the allocation is to be decided between SBAB and the Joint Lead Managers jointly.

41. Does SBAB Group expect to pay a better price due to the fact that it is a Green Bond and the book may attract high investor demand?

The price of a transaction is to be decided using the price discovery mechanism. Strong interest from investors in combination with a large order book normally gives a better price.