



EXTERNAL REVIEW

on the Sustainable Bond Report 2021 of
Samhällsbyggnadsbolaget i Norden AB

12 May 2021

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Overall Evaluation of the Sustainable Bond Report 2021

Samhällsbyggnadsbolaget i Norden AB (SBB) commissioned ISS ESG to provide an External Review on its Sustainable Bond Report 2021 by assessing:

1. The alignment of the SBB's Sustainable Bond Report 2021 with the commitments set forward in SBB's Framework in line with the International Capital Market Association's (ICMA) Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainable Bond Guidelines (SBGs).
2. The alignment of the SBB's Sustainable Bond Report 2021 with best market practices as described in the ICMA Harmonised Framework for Impact Reporting (HFIR).
3. Soundness of SBB's Sustainable Bond Report 2021 KPIs – whether the indicators used align with best market practices and are a relevant reporting tool for the social bond issued.

ISS ESG ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1</p> <p>Alignment with framework commitment, in line with the GBPs, SBPs and SBGs</p>	<p>ISS ESG finds that the Sustainable Bond Report 2021 respects the commitments set forward in the Framework by SBB and remains aligned to the Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines. All key requirements defined by the GBPs, SBPs and SBGs have been disclosed in the framework and have then been respected in the Sustainable Bond Report 2021.</p>	<p>Aligned</p>
<p>Part 2:</p> <p>Alignment with best market practices, defined in the HFIR</p>	<p>ISS ESG finds that the Sustainable Bond Report 2021 is in line with ICMA's Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Soundness of KPIs reported</p>	<p>ISS ESG finds that the KPIs used in the Sustainable Bond Report 2021 of SBB align with good market practices and with the GBPs, SBPs and SBGs.</p> <p>The allocation reporting appropriately displays the way proceeds of the bond are allocated. The indicators chosen for the impact reporting are material and in line with suggested market guideline metrics, and information regarding sourcing are properly displayed. Yet, the information is not benchmarked through baseline data.</p>	<p>Positive</p>

ISS ESG EXTERNAL REVIEW ASSESSMENT

PART I: ALIGNMENT WITH FRAMEWORK COMMITMENT, IN LINE WITH THE GBPs, SBPs and SBGs

The table below presents the findings of ISS ESG’s assessment of the Sustainable Bond Report 2021 against SBB’s commitments set forward in its Framework and against ICMA’s Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines (GBPs, SBPs and SBGs).

GBPs, SBPs and SBGs’ REQUIREMENTS	SBB’S SUSTAINABLE FINANCING FRAMEWORK COMMITMENT	EVIDENCE IN SBB SUSTAINABLE BOND REPORT 2021	FULFILMENT
1. Use of Proceeds			
1.1. Alignment with the project categories defined by the GBPs, SBPs and SBGs	The net proceeds will be exclusively allocated to finance or re-finance projects in the following categories: <ul style="list-style-type: none"> • Green Buildings; • Energy Efficiency; • Affordable Housing; • Access to essential services. 	In accordance with the eligibility criteria established in the Framework, the proceeds have been used to finance or re-finance projects in the following categories: <ul style="list-style-type: none"> • Green Buildings; • Energy Efficiency; • Access to essential services. 	✓
1.2. Sustainability objectives related to project categories	Environmental and social objectives and benefits are defined for each project category in SBB’s framework.	A detailed description of core environmental and social impacts for each target area is available in the report. <ul style="list-style-type: none"> • Green buildings – Environmental classification obtained • Energy efficiency – Energy use per unit • Access to essential services - Number of students/patients benefiting from school/university/hospital building interventions 	✓
1.3. Refinancing / Financing	An amount equal to the net proceeds of the Bonds will be exclusively allocated to finance or re-finance, in whole or in part,	SBB has allocated all of the proceeds, which have been assigned to existing and new projects, for a total amount of EUR 946m.	✓

	new and/or existing loans/projects.		
1.4. Exclusion of harmful project categories	<p>For the avoidance of doubt, financing related to the following activities are excluded from the financing by SBB's Sustainable Financing Instruments:</p> <ul style="list-style-type: none"> ▪ Fossil fuel energy ▪ Nuclear energy ▪ Large Hydro > 20MW • Defence ▪ Gambling ▪ Tobacco ▪ Alcohol ▪ Weapons 	The proceeds have not been allocated to any of the excluded sectors.	✓
2. Process for project evaluation and selection			
2.1 Defined and transparent criteria for projects eligible for social bond proceeds	A dedicated Sustainable Financing Committee has been established to create the Sustainable Financing Framework, manage any future updates to the Framework, including expanding the list of Eligible Categories and oversee its implementation.	SBB has set out a dedicated Working Group that defines the evaluation and selection of the eligible projects, manages any updates of the Framework and oversees its implementation.	✓
2.2 Summary criteria for project evaluation and selection publicly available	The eligibility criteria are made publicly available.	The eligibility criteria are made publicly available.	✓
2.3 Documented process to determine that projects fit within defined categories	The list of Eligible Assets is monitored on a regular basis as long as there are Sustainable Financing Instruments outstanding to ensure that the proceeds are sufficiently allocated to Eligible Assets and that these assets continue to meet the Eligibility Criteria described in the Use of Proceeds section.	All projects fit the eligible categories listed in the Use of Proceeds part of the framework.	✓
2.4 Documented process to	The Sustainable Financing Committee identifies and	The list of Eligible Assets is monitored on a regular basis as	✓

identify and manage potential ESG risks	manages potential ESG risks associated with the project.	long as there are Sustainable Financing Instruments outstanding to ensure that the proceeds are sufficiently allocated to Eligible Assets and that these assets continue to meet the Eligibility Criteria described in the Use of Proceeds section.	
2.5 Information on Responsibilities and Accountability	A dedicated Sustainable Financing Committee has been established to manage the Sustainable Financing Framework and any future updates to the Framework, including expanding the list of Eligible Categories and oversee its implementation.	As highlighted above, this has been respected by SBB.	✓
2.6 Stakeholder involved in the process	The Sustainable Financing Committee is composed of representatives from SBB's: <ul style="list-style-type: none"> • SBB Chief Executive Officer • SBB Chief Financial Officer • SBB Technical Manager • SBB Head of Sustainability • SBB Head of Finance 	Stakeholder engagement has been confirmed by SBB.	✓
3. Management of Proceeds			
3.1 Social Bond Proceeds segregated or tracked by the issuer in an appropriate manner	All Sustainable Financing Instruments issued by SBB will be managed on a portfolio level. This means that a Sustainable Financing Instrument will not be linked directly to one (or more) pre-determined Eligible Assets. SBB will keep track and ensure there are sufficient Eligible Assets in the portfolio. Assets can, whenever needed, be removed or added to/from the Eligible Assets portfolio.	The proceeds have been fully allocated.	✓
3.2 Disclosure of intended types of temporary investment instruments for	Temporary investments or deposits will not be made in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or other carbon dioxide intense activities, development within weapons and	The proceeds have been fully allocated.	✓

unallocated proceeds	defense, environmentally potentially negative resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.		
3.3 Procedure in case of divestment or postponement	In the event the Separate Account has a positive balance, SBB will have the right to either: i) temporarily deposit such positive balance with approved financial institutions as defined by the company's Financial Policy or ii) temporarily invest in debt securities from issuers with a minimum credit rating of BBB- from Standard & Poor's or equivalent rating from another rating institute and with a maximum maturity of 12 months.	The proceeds have been fully allocated.	✓
3.4 Disclosure of portfolio balance of unallocated proceeds	Until full allocation of the net proceeds from Sustainable Financing Instruments has taken place, in its reporting disclose the amount of net proceeds not yet allocated.	The proceeds have been fully allocated.	✓
4. Reporting			
4.1 Roles and responsibilities of each member/committee in the monitoring and reporting process	The Sustainable Financing Framework will collect information and make an annual report.	The report has been published in 2021.	✓
4.2 Formalisation of monitoring and reporting processes	SBB will annually, and until the maturity of the Sustainable Financing Instruments issued, provide investors with an annual newsletter.	The annual timeframe has been respected.	✓

<p>4.3 Use of Proceeds reporting</p>	<p>The annual newsletter will include:</p> <ul style="list-style-type: none"> • A summary of Sustainable Financing developments. • The outstanding amounts of issued Green, Social and Sustainable Financing Instruments. • The balance on the Separate Account (including any, temporary investments or deposits and Sustainable Financing repayments). • Share of proceeds used for financing/re-financing as well as share of proceeds used for categories in section “Use of proceeds” • Share of unallocated proceeds (if any) • A complete list of Eligible Green and Social Assets financed by Sustainable Financing Instruments. • Impact reporting 	<p>The section “Allocation reporting” of the Sustainable Bond Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBPs, SBPs and SBGs. <i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	<p style="text-align: center;">✓</p>
<p>4.4 Impact reporting</p>	<p>SBB will use a baseline calculation method taking into consideration energy savings, avoided energy consumption and reduced usage of fossil energy sources.</p>	<p>The section “Impact Reporting” of the Sustainable Bond Report 2021 complies with the pre-issuance commitment expressed in the framework and with the requirements defined in the GBPs, SBPs and SBGs. <i>Further analysis of this section of the report is displayed in Part III of this report.</i></p>	<p style="text-align: center;">✓</p>
<p>4.5 Means of disclosure: where the information is published</p>	<p>The framework is public and announces the report will be public.</p>	<p>The report is intended to be available publicly.</p>	<p style="text-align: center;">✓</p>
<p>4.5 External review</p>	<p>An SPO and verification of reporting and proceeds allocation will be carried out.</p>	<p>ISS ESG provides a verification on the Sustainable Bond Report 2021.</p>	<p style="text-align: center;">✓</p>

Opinion: ISS ESG finds that the Sustainable Bond Report 2021 respects the commitments set forward in the Framework by SBB and remains aligned to the Green Bond Principles, Social Bond Principles

and Sustainable Bond Guidelines. All key requirements defined by the GBPs, SBPs and SBGs have been disclosed in the framework and have then been respected in the Sustainable Bond Report 2021.

PART II: ALIGNMENT WITH BEST MARKET PRACTICES, DEFINED IN THE ICMA HARMONIZED FRAMEWORK FOR IMPACT REPORT

ICMA Harmonised Framework for Impact Reporting has been chosen as benchmark for this analysis as it represents the most widely adopted guideline for Impact Reporting.

The table below presents the findings of ISS ESG assessment of the Sustainable Bond Report 2021 against ICMA Harmonized Framework for Impact Reporting guideline.

COMPULSORY REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
The impact report should illustrate the expected impact made possible as a result of projects to which environmental and social bond proceeds have been allocated.	The assessment and measurement of the impacts generated by SBB's Green, Social and Sustainable Bonds covered the following areas: <ol style="list-style-type: none"> Energy consumption and area per Green Building (re-)financed; Number of students benefiting from school and university building interventions (and area in sqm); Number of patients benefiting from hospital building interventions (and area in sqm). 	✓
Definition of core environmental and social impacts	A detailed description of core environmental and social impacts for each target area is available in the report: <ul style="list-style-type: none"> Energy consumption: 103 kWh/m² on average Number of students benefiting from school and university building interventions: Approximately 16.000 Number of patients benefiting from hospital building interventions: Approximately 6.800 patients 	✓

KEY OPTIONAL REQUIREMENTS		
REQUIREMENTS	REPORT EVIDENCE	ANALYSIS AGAINST REQUIREMENTS
Report on both the use of environmental and social bond proceeds, as well as the expected environmental and social impacts at least on an annual basis.	The Bond Report will be published within one year from the date of issuance of each Green, Social and Sustainability Bond and annually thereafter, at least until the full allocation of the proceeds.	✓

Provide a list of projects to which environmental and social bond proceeds have been allocated, or report solely on a portfolio level	The report includes the eligible assets and their market value per eligible project category and project type within categories.	✓
Define and disclose the period and process for including projects in their report	The period and process for including projects in the SBB report has been defined and disclosed.	✓
Describe the approach to impact reporting	An annex describing the methodology used to evaluate each impact indicator is included in the report.	✓
Indicate the total signed amount and the amount of environmental and social bond proceeds allocated to eligible disbursements.	A total of EUR 946m have been raised through SBB's Environmental and Social Bond. EUR 199m have been allocated to Green Assets, while EUR 747m to Social Assets.	✓

Opinion: ISS ESG finds that the Sustainable Bond Report 2021 is in line with ICMA's Harmonised Framework for Impact Reporting. All compulsory and key optional requirements have been fulfilled.

PART III: SOUNDNESS OF KPIS REPORTED

Use of Proceeds Allocation report

Use of proceeds allocation reporting is key to put the reported impacts into perspective with the amount of investments allocated to the respective use of proceeds categories.

Level and scope of reporting

ISS ESG finds that the allocation report section of the Sustainable Bond Report of SBB aligns with good market practices and with the GBPs, SBPs and SBGs. The Use of Proceeds reporting occurred within one year from the issuance, after full allocation of the proceeds and is covering all proceeds obtained through the bond. The funds allocation is displayed at the project category level, in a granular way thanks to the breakdown by type of project.

Information reported

ISS ESG finds that the allocation report section of the Sustainable Bond Report of SBB aligns with good market practices by providing information on:

- The number of projects (re-)financed
- The number of beneficiaries (students and patients)
- The average energy consumption per green building
- The total amount of proceeds in million euros (divided per environmental and social assets)

Impact report

Level and scope of reporting

ISS ESG finds that the impact report section of the SBB's Sustainable Bond Report aligns with good market practices and with the GBPs, SBPs and SBGs. The impact reporting occurred within one year from the issuance, after full allocation of the proceeds and is covering all proceeds obtained through the bond. The funds allocation is displayed at the project category level, in a granular way thanks to the breakdown by type of project.

Information reported






ISS ESG finds that the quantitative impact indicators reported in this section of the Sustainable Bond Report of SBB align with good market practices. Find below an assessment of the selection of those impact indicators against the ICMA Harmonized Framework for Impact Reporting.

ELEMENT	ASSESSMENT
Choice of impact indicators	The impact indicators chosen by the issuer for this bond are the following: a) Energy consumption impact;

	<p>b) number of students benefiting from school and university building interventions;</p> <p>c) number of patients benefiting from hospital building interventions.</p> <p>Those indicators are quantitative and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics per project categories published by the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds. This aligns with best market practices.</p>
Data sourcing	For all three impact indicators the issuer explicitly displays the database and the proxy used as a basis for the calculation of the impact indicator in the methodology document associated with the report. This aligns with best market practices and with the suggestion as per the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds.
Baseline selection	The impact data is not compared with relevant baseline data. In this sense, the report is not in line with the suggestion of the ICMA Harmonized Framework for Impact Report for Environmental and Social Bonds.
Scope of reported data	The impact data is presented at the Use of Proceed category level for indicators a), b) and c).

Mapping of the impact indicators with the UN Sustainable Development Goals

According to the ICMA high-level mapping to the Sustainable Development Goals (SDGs), the impact indicators presented by the issuer can be associated with the following SDGs:

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
a) Energy consumption impact	 
b) number of students benefiting from school and university building interventions	 
c) number of patients benefiting from hospital building interventions	

DISCLAIMER

1. Validity of the External Review: For SBB's Sustainable Bond Report released in April 2021.
2. ISS ESG uses a proprietary methodology to assess the bond reports. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create External Reviews on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this External Review is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of this External Review, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
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ANNEX: Methodology

ISS ESG Review of the Bond Reports

The external review of bond reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced.

On the basis of the information provided by the Issuer, ISS ESG assess the alignment of the report with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting.

The analysis of the metrics adopted is based also on specific sets of indicators developed by ISS ESG for every single use of proceeds category.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which SBB's Social Bond contributes to related SDGs and has a positive association with their respective sub-targets.

About ISS ESG External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent External Review so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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