



## Green Bond Framework

### Important notice

This document (the Green Bond Framework) contains information on Stockholms Kooperativa Bostadsförening's ("SKB") forthcoming issuance of interest-bearing notes with added environmental criteria (the "**Green Terms**"). Any such future issuance by SKB that the Green Terms, by reference or inclusion, in its loan documentation will be labeled a Green Bond ("**Green Bond**"). Depending on the language of the loan documentation the Green Terms may be translated into other languages, as required in the local jurisdiction. Any issuance of notes will be subject to the version of the Green Terms referred to in the associated loan documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be available in the Green Bond Framework on SKB's website.

### Background

SKB is a cooperative membership-owned housing association that builds, manages and rents residential properties to its members. It was founded in 1916 and celebrates its 100 year anniversary this year (2016).

Owning 7,865 apartments and having 87,000 members, SKB is the largest private housing association in Stockholm. The majority of the properties are located in the city of Stockholm and approximately half of them in the city centre. SKB also owns property in six other municipalities around Stockholm.

SKB distributes its apartments according to a fair system. Apartments cannot be bought or sold. When an apartment becomes available, it is rented to the member who has been on the waiting list the longest. The association has no political affiliation and is open to everyone. Members of the association are private individuals.

SKB is proud to have won a number of awards in recent years. For example, for six years in a row, SKB has been awarded the prize for the category "Best run housing organization with more than 2,000 apartments" in Sweden.

SKB works with the three pillars of sustainability; economic, social and environmental, and is continuously and systematically working on sustainability across several areas.





A new low-energy residential property - Basaren - is being built in Kungsholmen (in the central part of Stockholm), consisting of 44 apartments.

SKB has never sold any of its buildings and can be described as an “eternal property manager”. Since SKB takes care of both the construction and maintenance of its properties, the organization is able to work on long-term sustainability, improving both existing buildings and new constructions. This creates a solid platform to integrate sustainability throughout the asset life cycle.

SKB utilizes a five year environmental plan that defines goals and ambitions. In the latest plan, for the period 2015-2019, the following areas have been deemed to be key areas: sustainable energy use, sustainable water use, sound indoor environment, resource and environmentally efficient waste treatment, environmentally sound chemical use and environmentally sound and efficient transports.

SKB will monitor the development of the green bond market and, from time to time, evaluate whether to update the Green Terms. In establishing the Green Terms SKB has sought to comply with the Green Bond Principles (June, 2016) and current best market practice.

SKB has worked with Handelsbanken to develop Green Bond Framework. CICERO has provided a second opinion on the Green Terms, which is publicly available at SKB’s website.

October 28th, 2016

Eva Nordström  
CEO

Joakim Wernersson  
Head of Finance



## Stockholms Kooperativa Bostadsförening (SKB) – Green Bond Framework

October 28th, 2016

### GREEN TERMS

#### ELIGIBLE PROJECTS AND ASSETS (USE OF PROCEEDS)

The net proceeds from the issuance of Green Bonds will be used by SKB to, in whole or in part, finance a select pool of “Eligible Projects and Assets” that promote environmental matters in different areas. The net proceeds will be used exclusively on project/assets that comply with 1) the Categories of Eligible Projects/Assets and Applicable Criteria and 2) the Process for Project/Asset Evaluation and Selection, as set out below.

#### Categories of Eligible Projects/Assets and Applicable Criteria

- **Certified properties:** Development, acquisition or completed residential and commercial properties with the following environmental certifications:

- a) Miljöbyggnad Silver (or better) or,
- b) Svanen

”**Miljöbyggnad Silver**” means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

”**Svanen**” means the environmental assessment and certification scheme of real estate assets developed and administered by the Nordic Swan Ecolabel, pursuant to its definition at the time of receipt of the relevant certification.

- **Energy efficient properties:** Development, acquisition or completed residential and commercial properties with at least 25% less total energy use per square meter and year (kWh) than required by applicable national building codes and regulations (Boverkets byggregler, BBR).

”**BBR**” means the Swedish national building regulation set up by the National Board of Housing, Building and Planning, determining the regulatory requirements and offering general advice regarding all stages of planning, construction and operations of real estate assets.

- **Energy efficiency investments:** Energy efficiency projects in existing residential and commercial properties leading to a reduced total energy use per square meter and year (kWh) of at least 25%. This could be:
  - a) Major renovation with energy savings in existing real estate assets or,
  - b) a sum of projects that are being undertaken at the same time which have a combined positive impact on the energy performance as stated above.



Examples of targeted areas could be energy-efficient lighting, façade insulation and heat recovery installations.

- **Renewable energy production:** Installation of renewable wind and solar power, either as stand-alone installations or in the property portfolio.

## **PROCESS FOR PROJECT/ASSET EVALUATION AND SELECTION**

Eligible Projects and Assets are evaluated and selected by a committee consisting of the Finance department and Technical/Environmental department. A decision to allocate net proceeds will require a consensus decision by the committee as well as compliance with the Green Terms. The selection decision will be documented and a record will be filed.

A list of all Eligible Projects and Assets will be kept by SKB as a tool to determine the Green Bond borrowing capacity, which is defined as the value of Eligible Projects and Assets less any existing debt encumbrance.

## **MANAGEMENT OF PROCEEDS**

An amount equal to the net proceeds of the issue of the Green Bond will be credited to a separate account in SKB's name at a financial institute and will only support SKB's financing of Eligible Projects and Assets or to repay a Green Bond. SKB will keep a record of all transactions on the account. If the separate account has a positive balance any unallocated funds may be invested according to SKB's financial policy\*. If a Project or Asset no longer qualifies according to the Green Terms the funds will be reallocated to projects and assets that meet the Green Terms. The ambition is to fully allocate the Green Bond proceeds within one year from the time of issuance.

\*Liquidity may be held on saving accounts and/or invested in securities of approved counterparties such as the Swedish government, municipalities/county councils and well known banks. Investments can only be done in local currency (Swedish krona). Investments in shares are not permitted.

## **REPORTING AND TRANSPARENCY**

SKB will publish an annual disclosure on the use of proceeds and adherence to the Green Terms as a part of its annual financial reporting. The first such reporting is expected to take place in April 2017 and will be available in Swedish on SKB's website. The reporting will contain a list of all Eligible Projects and Assets that have been financed with Green Bonds and a description of each project's adherence to the Applicable Criteria according to the category that the project belongs to. Furthermore, the total proportion of net proceeds allocated to new projects and assets as well as refinancing will be disclosed.



### **Impact reporting**

- 1. Certification:** The environmental building certification will be disclosed for certified properties.
- 2. Energy in new properties:** The energy use will be disclosed by absolute consumption (kWh per year), intensity (kWh per square meter and year) and a relative comparison (percent) to levels set out by applicable national building codes and regulations (Boverkets byggregler, BBR) for certified properties and energy efficient properties. An estimation will be used for ongoing projects, until actual data becomes available.
- 3. Energy in renovated properties:** The energy use will be disclosed by absolute consumption (kWh per year), intensity (kWh per square meter and year) and the energy use reduction relative to historical performance (percent) for energy efficiency investments in existing properties. An estimation will be used for ongoing projects, until actual data becomes available.
- 4. Renewable energy production:** The total renewable energy production (kWh per year) will be disclosed as well as (a) the share (percent) of a property's total energy use provided by an on-site installation and (b) the share (percent) of the total energy use in SKB by a stand-alone installation (for instance a wind turbine).

**Third party annual review:** SKB's auditor of the annual report, or a similar third party appointed by SKB with the relevant expertise and experience, will be appointed to investigate and report whether the Green Bond proceeds have been allocated according to the Green Terms stated in the Green Bond Framework. Their conclusions will be provided in a signed statement, which will be published on SKB's website.

### **Green Bond Project/Asset Evaluation and Selection Process Flowchart**



#### **Guidelines:**

1. Applicable Swedish and EU legislation
2. SKB's Sustainability and Environmental Policy
3. Miljöbyggnad
4. Svanen

Evaluation and selection according to the Green Terms as stated in the Green Bond Framework