

ASSESSMENT

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Svensk FastighetsFinansiering AB

Update to the Green Bond Assessment



We are maintaining the GB1 (Excellent) Green Bond Assessment (GBA) on Svensk FastighetsFinansiering AB's (SFF) SEK 1.25 billion medium-term notes due November 2019 and issued in November 2017. Following our review of SFF's ongoing disclosure and proceeds management practices, we are maintaining the transaction's overall weighted score at 1.35. We are not changing any factor scores at this time, given that all aspects of the transaction remain consistent with our initial expectations.

This report highlights findings from our review of SFF's 2017 green bond report as well as discussions with management. It also incorporates of SFF's 2018 update to its Green Bond Framework to better align with 2018 Green Bond Principles.

The GB1 score continues to reflect SFF's provision of detailed ongoing reporting on the environmental benefits associated with the real estate properties in its green portfolio, consistent with our expectations from our initial analysis.

SFF's weighted factor score is outlined below and our full analysis of the transaction can be viewed in the original in-depth report [here](#).

Factor	Factor Weights	Score	Weighted Score
Organization	15%	1	0.15
Use of Proceeds	40%	1	0.40
Disclosure on the Use of Proceeds	10%	1	0.10
Management of Proceeds	15%	2	0.30
Ongoing Reporting and Disclosure	20%	2	0.40
Weighted Score			1.35

The transaction-weighted score, using the Green Bond Scorecard, is 1.35, which corresponds to a GB1 grade. For a full summary of the transaction's scoring under the GBA scorecard, please see "Methodology scorecard" below.

Profile

Svensk FastighetsFinansiering AB is a real estate financing company launched in January 2015 that issues classic and "green" bonds in the Swedish capital markets through a secured Medium Term Note (MTN) Programme of SEK 12,000 million (approximately \$1.4 billion). SFF is in turn owned equally in 20% shares by five property companies listed on Nasdaq Stockholm: Catena AB, Diös Fastigheter AB, Fabega AB, Platzer Fastigheter Holding AB and Wihlborgs Fastigheter AB.

Svensk FastighetsFinansiering AB first issued its green bond framework in 2015 and updated it in 2018. The framework details how the company plans to use green bonds to finance green projects, specifically green buildings that conform to internationally recognized design certification schemes such as Leadership in Energy and Environmental Design (LEED) in the US, Building Research Establishment Environmental Assessment Methodology (BREEAM) in the UK and Miljöbyggnad, a Swedish certification scheme specific to the local market. The updated framework specifically requires seeking out properties that offer energy consumption that is at least 20% less than applicable codes and regulations. The prior version, which was in effect at the time 2017 bonds were issued, required energy consumption at least 25% below national average.

On 9 November 2017 SFF issued SEK 1.25 billion (approximately \$147 million USD, assessed GB1) in two-year fixed to floating rate notes to refinance loans on four existing green commercial buildings in Sweden. The notes were issued under SFF's MTN Programme and are listed on the Nasdaq Stockholm Sustainable Bonds List.

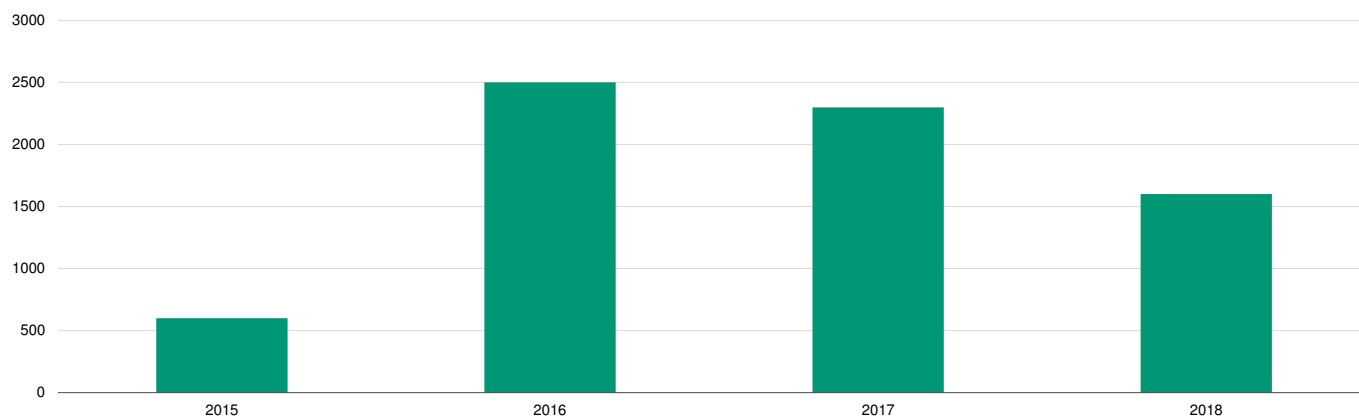
Recent Developments

Through the end of 2018 SFF issued SEK 7 billion in green bonds that were used to finance climate-smart and sustainable properties (see Exhibit 2). SFF issues green bonds predominantly under the company's MTN Programme with the aim to facilitate the financing of climate smart and ecologically sustainable real estate. In addition to the building-specific green certification, each tenant that leases office space also signs up to a "green lease," a separate agreement between tenant and landlord whereby both parties agree on a common environmental agenda for the space, including measures to reduce the environmental impact of energy, indoor environment, materials and waste.

In 2018, SFF updated its Green Bond Framework to better align with 2018 Green Bond Principles. The updates include improved tracking procedures for the use of proceeds, a change in the energy requirements for new buildings to 20 percent below local regulatory requirements from 25 percent below national average in the original framework, and an addition of a maximum energy use requirement of 105 kWh per m2 for existing buildings. CICERO issued a Second Opinion on the updated Green Bond Framework, assessing it at Medium Green.

Exhibit 1

SFF green bond issuance 2015-2018 In millions of SEK



Source: SFF reports

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The content and timeliness of 2017 post-issuance green bond report was consistent with our expectations for the transaction. SFF publishes a green bond investment report through its public website when financing is completed on a transaction-specific basis. Annually SFF publishes a report covering all of its financings. The properties in SFF's green portfolio, including those refinanced by the green bond we assessed, are shown in Exhibit 3 along with their environmental performance data. The aggregate market value of the four properties refinanced with the 2017 green bond was SEK 2,661 million as of December 31, 2018, with a total property area of 43,271 square meters.

A limitation for SFF is that environmental benefits such as electricity consumption per square meter (kWh/m²) or carbon-dioxide emissions per square meter (CO₂/m²) are not provided at initial financing and construction of the properties. While actual energy and carbon dioxide metrics are provided at year end, there is an inability to compare actual against targeted/intended benefits. Given this limitation, sub-factor five is scored as "No" resulting in a score of 2 for Ongoing Reporting and Disclosure (no change from original assessment).

Exhibit 2

SFF's Green Properties
December 31, 2018

Location	Name	Property Area, sqm	Type of certification	Status	Energy use, kWh/ sqm	Carbon dioxide emissions, CO ₂ kg/ sqm	Green lease agreements, % of lettable area
Refinanced with assessed 2017 green bond:							
Stockholm	Hägern Mindre 7	13,422	BREEAM In Use, Very Good	Certified	99	0.5	58
Göteborg	Gårda 3:12	3,503	Miljöbyggnad, SILVER	Certified	104	0.6	96
Göteborg	Gårda 3:14	8,758	Miljöbyggnad, SILVER	Certified	50	0.3	100
Lund	Syret 3	17,588	LEED Platinum, Miljöbyggnad GOLD	Certified	32	0	10
Other properties in SFF green portfolio:							
Stockholm	Getingen 13	16,914	BREEAM In Use, Very Good	Certified	66	0.9	59
Solna	Nationalarenan 8	42,000	BREEAM SE, Excellent	Certified	61	1.2	100
Göteborg	Gullbergsvass 5:26	16,735	LEED Platinum	Certified	69	0.4	100
Göteborg	Lindholmen 39:3	8,004	LEED Gold	Certified	63	0.5	100
Göteborg	Gårda 1:15	11,888	Miljöbyggnad, SILVER	Certified	83	0.5	100
Malmö	Kranen 8	15,455	Miljöbyggnad, SILVER	Certified	91	0	80
Helsingborg	Floretten 4	4,787	Miljöbyggnad, GOLD	Certified	50	0	100

Source: Company reports

Methodology Scorecard

Factor 1: Organization (15%)	Yes	No
Environmental governance and organization structure appear to be effective	●	
Policies and procedures enable rigorous review and decision making process	●	
Qualified and experienced personnel and/or reliance on qualified third parties	●	
Explicit and comprehensive criteria for investment selection, including measurable impact results	●	
External evaluations for decision making in line with project characteristics	●	
Factor Score	1	
Factor 2: Use of Proceeds (40%)	Yes	No
>95% - 100% of proceeds allocated to eligible project categories that are determined based on the issuer's adopted policies and the categories established under the Green Bond Principles that will be further informed by one or more robust and widely recognized green bond frameworks or taxonomies that qualify eligible projects, including any applicable regulatory guidelines.	●	
Factor Score	1	
Factor 3: Disclosure on the Use of Proceeds (10%)	Yes	No
Description of green projects, including portfolio level descriptions, actual or intended	●	
Adequacy of funding and/or strategies to complete projects	●	
Quantitative and/or qualitative descriptions for targeted environmental results	●	
Methods and criteria, both quantitative and qualitative, for calculating performance against targeted environmental results	●	
Issuer relies on external assurances: Second Party reviews, audits and/or third party certifications	●	
Factor Score	1	
Factor 4: Management of Proceeds (15%)	Yes	No
Bond proceeds are segregated and separately tracked on an accounting basis or via a method by which proceeds are earmarked	●	
Application of proceeds is tracked by environmental category and project type	●	
Robust process for reconciling planned investments against actual allocations	●	
Clear eligibility rules for investment of cash balances	●	
Audit by external organization or independent internal audit unit		●
Factor Score	2	
Factor 5: Ongoing Reporting and Disclosure (20%)	Yes	No
Reporting and disclosure post issuance provides/to be provided detailed and timely status updates on projects	●	
Ongoing annual reporting is expected over the life of the bond	●	
Disclosures provide granular detail on the nature of the investments and their expected environmental impacts	●	
Reporting provides/to be provided a quantitative and/or qualitative assessment of the environmental impacts actually realized to-date	●	
Reporting includes/to include quantitative and/or qualitative explanation of how the realized environmental impacts compare to projections at the time the bonds were sold		●
Factor Score	2	
Overall Weighted Score	1.35	

Moody's Green Bond Assessment (GBA)

Moody's GBA represents a forward-looking, transaction-oriented opinion on the relative effectiveness of the issuer's approach to managing, administering, allocating proceeds to and reporting on environmental projects financed with green bond proceeds. GBAs are expressed using a five-point relative scale, ranging from GB1 (Excellent) to GB5 (Poor). A GBA does not constitute a credit rating.

Moody's related publications

Methodology:

- » [Green Bonds Assessment \(GBA\)](#), 30 March 2016

Issuer research:

- » [Svensk FastighetsFinansiering AB Green Bond Assessment](#), 14 November 2017

Green bond research:

- » [Green Bonds - Global: Global green bond issuance to hit \\$200 billion in 2019](#), 31 January 2019
- » [Green Bonds – Global: Environmental impact and reporting vary by jurisdiction and asset class](#), 4 December 2018
- » [Structured finance - Global: Green finance sprouts across structured finance sectors](#), 13 November 2018
- » [Green bonds – Global: Repeat issuers drive volume as green bond market matures](#), 12 November 2018
- » [Green Bonds – Global: Adoption of UN Sustainable Development Goals to drive demand](#), 12 November 2018
- » [Green Bonds - Global: Issuance in the first three quarters of 2018 flat compared with 2017](#), 6 November 2018
- » [Default research - Global: Default and recovery rates for project finance bank loans, 1983-2016: Green projects demonstrate lower default risk](#), 18 September 2018
- » [Green Bonds - Global: Second-quarter issuance rebounds but full-year 2018 growth likely to moderate](#), 31 July 2018
- » [Green Bonds – Sovereign: Sovereign green bond market on course for critical mass, but challenges remain](#), 9 July 2018
- » [Green Bonds – Global: Modest Q1 2018 issuance a speed bump on the road to market growth](#), 30 April 2018
- » [Green Bonds - Global: Global municipal green bond issuance will continue to rise](#), 19 March 2018
- » [Green Bonds - Global: Global green bond issuance set to eclipse \\$250 billion in 2018](#), 31 January 2018
- » [Cross-sector - Global: FAQ: The green bond market and Moody's Green Bonds Assessment](#), 29 November 2017
- » [Green Bond Assessments - Global: Issuers exhibit strong organizational frameworks but differ on disclosure](#), 19 September 2017

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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