



GREEN BONDS
ANNUAL REPORT

2023

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Foreword

In 2023, Sveaskog introduced a new green framework for bonds in accordance with the EU sustainable investment taxonomy. This creates better conditions based on an EU perspective for new green investments in the forest and strengthens the company's competitiveness.

Sveaskog established its first green framework in 2017, in accordance with the "Green Bond Principles". A total of SEK 5.8 billion was issued under the framework until 2022.

In 2023, Sveaskog updated the framework and through the update, Sveaskog wants to harmonise its FSC-adapted forestry and involvement in development and innovation with the ambitions of the EU taxonomy. In practical terms, this means that the capital from the green bonds will finance, or partially or wholly refinance, investments and expenses that Sveaskog has for sustainable forestry adapted to actively contribute to achieving the Swedish environmental quality objectives, the Paris Agreement and the EU's climate targets.

Third parties have assessed that the green framework for sustainable investments is in line with the EU taxonomy and thus the company is the first forest company in Europe with a green financial bond framework compatible with the EU taxonomy. The new framework thereby takes into account the EU's proposed standard for green bonds.

The framework has been reviewed by CICERO Shades of Green and achieved the highest rating on

the scale, "Dark Green", as well as the "Excellent" rating for corporate governance.

In 2023, SEK 2.25 billion was issued under the updated framework.

Limiting global warming is one of the greatest challenges of our time. In this context, standing timber and the use of wood have an important role to play in counteracting climate change.

As Sweden's largest forest owner, with 14 per cent of the productive forest land, Sveaskog endeavours to increase forest growth through sustainable forestry, which creates more wood raw materials that can replace fossil-based materials and increases the uptake of carbon dioxide in the atmosphere.

With their natural properties, forestry and wood raw materials have a key role in the development towards a sustainable, bio-based society.

Sveaskog's framework for Green Bonds and Cicero's statement are found under [Green Bonds](#) at [sveaskog.se](#).



Climate benefits of standing timber

Sveaskog's land holdings contribute climate benefits through net carbon storage, both directly in the forest and indirectly through long-term products made from timber from Sveaskog's land. In addition, wood-based products – both long-lived and short-lived – can lead to reduced use of fossil energy and fossil materials, which also helps to reduce the climate impact of society. The calculation of Sveaskog's carbon capture is based on the annual national reporting that the Swedish Environmental Protection Agency compiles for the UNFCCC in the Swedish National Inventory Report. The national method, which follows the IPCC guidelines for national reporting, is well established and, due to the size and spread of Sveaskog's holdings, can be considered representative.

The climate benefits that arise when wood-based products are used instead of products that have a higher emission in connection with production, such as cement, are not included in Sveaskog's operations

and are therefore not reported. However, it is important to note that Sveaskog's production of timber provides a major addition on the way to a fossil-free society through the company's customers' operations and the use of wood-based products and bioenergy. The size of the change depends on how effectively the wood raw material is used in the value chain through sawn timber, fibre products and bioenergy, all of which contribute to reducing the need for fossil energy and fossil-based materials.

Sveaskog's green bond issue of MSEK 1,500 and MSEK 750, in total MSEK 2,250, which was issued in April–November 2023 has financed forestry, property investments and development projects aimed at increasing the climate benefit of forests and wood raw materials, and reducing energy consumption or the use of fossil resources. The following pages indicate the projects to which the bonds have been allocated.

TOTAL ISSUED IN THE FORM OF GREEN BONDS

MSEK 2,250

Sveaskog's carbon storage for 2023

Storage in live biomass



Storage in dead wood and land



Total storage



Indirect climate effects



Packaging



Wooden houses



Biofuels

Additional climate benefits when wood-based products also reduce the need for fossil energy



SVEASKOG'S TOTAL COSTS AND INVESTMENTS DURING THE REPORTING PERIOD FOR FORESTRY

MSEK 2,350

PERCENTAGE FINANCED BY GREEN BONDS

MSEK 1,862

Forestry

Sveaskog's forests grow annually more than the company harvests. This means that the climate benefit in the form of the stock of bound coal in standing forest, dead wood and land is constantly increasing. In 2023, Sveaskog's climate benefits increased by 780 kg CO₂e compared to the previous year through increased carbon sequestration.

Sveaskog's current costs and investments in forestry are divided into the following projects; the reporting period for all investments is April 2022 to November 2023

Forestry

Planting

After felling, new saplings are planted. Well-executed regeneration is the first important step in ensuring the quality and value of the new forest. Eventually, carbon dioxide is once again absorbed by the growing forest. Every year, Sveaskog plants 40–50 million new saplings.

Cleaning

Through cleaning, the stand development is controlled so that the best trunks with the highest quality have room to develop optimally. The purpose of the cleaning is to optimise the growth of the trunks that are left behind by removing competing trees, but cleaning also opens up the forest, thus making it

more attractive for outdoor activities after a few years. Cleaning is normally performed once or a couple of times before the stand turns 30.

Thinning

Thinning further improves the quality of trees left behind. The goal of thinning is to optimise the proportion of timber, i.e. the proportion of wood that can later be used for long-lived products such as sawn timber. Tree trunks harvested during thinning are primarily used for pulpwood, but also timber and bioenergy.

Sveaskog's total investment for forest management during the reporting period amounted to MSEK 483, of which MSEK 483 was financed via green bonds.

According to the EU Taxonomy, Sveaskog's operations are covered by the Forestry sector and the activity 1.3 Forest management. The activity describes all aspects of the forest management cycle, including those included in the Nordic model of forestry that Sveaskog applies. By using the forest, growth and with it carbon sequestration are increasing, which means that the operations contribute to the EU taxonomy target and the environmental benefit "Limitation of climate change".

Fertilisation

Fertilisation is an effective way of increasing growth and thus also carbon sequestration. Usually, a forest stock is fertilized 10-15 years before felling and the increased growth is estimated at between 10-20 m³ per hectare.

Sveaskog's total cost for fertilisation during the reporting period amounted to MSEK 10, of which MSEK 8 was financed via green bonds.

Regeneration felling

All forests sequester carbon dioxide, but tree growth decreases with age, and thus also their ability to sequester additional carbon dioxide. Managed forest therefore contributes the greatest climate benefit in the long term as high growth persists. If you also take into account the indirect climate effects that arise for all the products from wood raw materials that replace fossil energy and energy-intensive building materials, the total climate benefit of the managed forest is considerable.

Every year, Sveaskog performs thinning and regeneration felling on approximately 40,000 hectares or approximately one per cent of our land.

Sveaskog works actively to prevent a negative environmental impact during felling and aims to ensure that 99 per cent of all felling takes place without a serious impact on conservation and cultural values. Before each felling, a conservation value assessment is carried out and environmental considerations are planned in detail. In all forestry measures, environmental considerations are taken into account, including extended water's edge zones, the leaving behind of valuable trees and biotopes requiring consideration. On average, 17 per cent of



the area is left behind as an environmental consideration during felling.

Sveaskog's total cost for regeneration felling during the reporting period amounted to MSEK 979, of which MSEK 723 was financed via green bonds.

Nature conservation

An important component of sustainable forestry is nature conservation work. With regard to the forms of nature conservation work, Sveaskog has developed its own strategy. We work with multiple tools at different scales, ranging from environmental considerations during felling to areas set aside for high conservation value forests and large contiguous

landscapes that we call ecoparks. Sveaskog works both to preserve high conservation values and to reinforce and recreate conservation values. The latter we do through active conservation management measures.

Sveaskog has already made a big investment in nature conservation by designating ten per cent of the productive forest land area below the tree line as high conservation value forests and has also established 37 ecoparks. Today, Sveaskog has set aside approximately 500,000 hectares of nature conservation forests, which corresponds to more than 16 per cent of the total forest land.

Starting controlled forest fires is an important,

tried and tested conservation initiative that Sveaskog regularly uses, a management measure that is most appropriate in forests that have naturally burned in the past. When pines burn, they get what are known as fire scars on the trunk. When the fire scars become resin-soaked, the pines become resistant and can live for a long time. When they then die – and either fall to the ground or remain standing – the decay continues for a very long time, which benefits species linked to old dead wood.

Sveaskog's total cost for nature conservation during the reporting period amounted to MSEK 51, of which MSEK 37 was financed via green bonds.

Financing and refinancing forest property acquisitions

Sveaskog is Sweden's largest forest owner with a land holding of almost 4 million hectares (2023). All our forest land is certified according to the forest certifications FSC® and PEFC™. In this way, we contribute to promoting sustainable forestry.

FSC® is a voluntary international system where FSC®-certified forestry provides financial returns but also shows consideration to environmental values and social conditions. Biodiversity, ecologically valuable environments and ancient monuments are protected. Employees are offered contractual and safe working conditions. The Sami villages and the general public are given insight and the opportunity to influence. Particular consideration is taken in forestry activities affecting Sami cultural sites, reindeer grazing areas or important recreational areas. PEFC™ is similar to the certification rules developed by the FSC® but is more adapted to family forestry.

SVEASKOG'S TOTAL INVESTMENT DURING THE REPORTING PERIOD FOR THE ACQUISITION OF FOREST LAND

MSEK 376

Sveaskog continuously acquires new forest land, which is then always FSC® and PEFC™ certified. In this way, sustainable use of the forest and forest land is ensured. The acquired forest land is also covered by Sveaskog's environmental goals, which means that our voluntary set-asides have been expanded corresponding to 20 per cent of the acquired productive forest land.

With green bonds, we can both finance new forest land acquisitions and refinance loans for previous acquisitions.

During the period April 2022 to November 2023, Sveaskog acquired a total of 3,158 hectares of forest land. The certified forest land constitutes the absolute largest share of Sveaskog's balance sheet.

Sveaskog's total investment for acquisition of forest land during the reporting period amounted to MSEK 376, of which MSEK 376 was financed via green bonds.

PERCENTAGE FINANCED BY GREEN BONDS

MSEK 376



Research and development

Sveaskog collaborates in its development projects with other players from universities, forestry, the transport industry and others. The projects usually run over several years and Sveaskog's investments in the projects during the reporting period are reported below.

The main environmental benefits of investing in the development projects are reduced climate impact through, for example, reduced use of fossil fuels and energy, as well as measures to create more effective conservation measures.

In total, Sveaskog's investments during the reporting period April 2022 to November 2023 for these projects amounted to MSEK 13 of which MSEK 13 was financed through a green bond.

SVEASKOG'S TOTAL INVESTMENTS DURING THE REPORTING PERIOD IN RESEARCH AND DEVELOPMENT PROJECTS

MSEK 13

PERCENTAGE FINANCED BY GREEN BONDS

MSEK 13



Somatic embryogenesis

Somatic embryogenesis (SE) is a method of vegetatively propagating the best plant material that comes from the breeding. This means that you can be selective on the breeding front and thus provide the market with the absolute best forest cultivation material much earlier than through traditional mass propagation. It also means that an unlimited number of new embryos can be produced from a single seed. Sveaskog has been instrumental in the development of SE seedlings for a number of years and the goal is now to automate the process of propagation. The cultivation of these micro-plants is significantly more environmentally efficient compared to traditional plant breeding because up to six times as many saplings can fit in a greenhouse, which saves energy.

Sveaskog's total investment during the reporting period amounted to MSEK 6.



Effekt 20

Effekt 20 is an extensive investment programme in six of Sveaskog's 37 ecoparks. In collaboration with researchers from Lund University and the Swedish University of Agricultural Sciences, how nature conservation initiatives have affected the presence of saproxylic beetles and forest bird species in the ecoparks was evaluated.

By comparing the ecoparks with reference areas over time, the programme aims to evaluate the effect of nature conservation initiatives in the landscape.

Sveaskog's total investment during the reporting period amounted to MSEK 3.

Viltssamverkan wilderness monitoring in the wake of the fire

After the large forest fire in southern Norrland in 2018, unique conditions were created to monitor the development of elk and predators after the fire, when the supply of food for elk is almost unlimited. In collaboration with Sweden's University of Agricultural Sciences (SLU) and the Swedish Hunters' Association, we have followed the animals' foraging and predation within and outside the fire area via GPS.

Sveaskog's total investment during the reporting period amounted to MSEK 2.



Saving elm and ash trees

Our special Swedish hardwood tree species ash and elm are on the brink of extinction after each suffering from their respective aggressive imported fungal diseases. Together with the ash and elm, a couple hundred species dependent on them are at risk disappearing.

In collaboration with the Forestry Research Institute of Sweden, SLU and Linnaeus University, we have been conducting a rescue project for several years by seeking out resilient individuals and building breeding for resistance with them. A patient battle against the clock.

Sveaskog's total investment during the reporting period amounted to MSEK 2.

Summary of Sveaskog's green projects ¹⁾

Project name	Project category according to framework	Total investment, MSEK	Total accrued costs allocated to green bonds in 2023, MSEK	Proportion of projects financed by green bonds issued in 2023, %
Forest management (regeneration)	Forestry (CAPEX)	483	483	100
Forestry	Forestry (OPEX)	827	611	74
Fertilisation		10	8	74
Regeneration felling		979	723	74
Nature conservation		51	37	74
Region				
	Acquisition of properties (CAPEX)			
Norrbotnen		0	0	100
Västerbotten		4	4	100
Southern Norrland		6	6	100
Svealand		103	103	100
Götaland		263	263	100
Research and development				
	Research and development (CAPEX)			
Effekt 20		3	3	100
SE factory		6	6	100
Viltsamverkan wilderness monitoring in the wake of the fire		2	2	100
Saving elm and ash trees		2	2	100

Distribution by project	Investments financed by green bonds	Distribution by EU Taxonomy	Total investment	Of which financed by green bonds in 2023
Investment in forestry (CAPEX)	MSEK 483	OPEX	MSEK 1,868	MSEK 1,378
Investment in forestry (OPEX)	MSEK 1,378	CAPEX	MSEK 872	MSEK 872
Investment in property acquisitions (CAPEX)	MSEK 376			
Investment in research and development (CAPEX)	MSEK 13			

¹⁾ The financing or refinancing of CAPEX qualifies without any specific retrospective limit, while OPEX has the option to qualify with a maximum retrospective period of no more than three years before the issue year for the bond.

Report adopted at meeting of Sveaskog's Green Bond Committee

Stockholm, 14 March 2024

Claes Rasmuson
Chair, CFO

Anders Jakobsson
Head of Accounting

Olof Johansson
Head of Forest Policy

Anna Ouchterlony
Sustainability Controller

Cecilia Hellström
Sustainability Strategist

Auditor's Limited Assurance Report for selected parts of Sveaskog AB (publ)'s Green Bonds Report 2023

To Sveaskog AB (publ), Corp. id. 556558-0031

Introduction

We have been engaged by Sveaskog's Green Bond Committee in Sveaskog AB (publ) ("Sveaskog") to review selected parts of Sveaskog's Green Bonds Report for the year 2023 ("the Report"). The scope of our assurance is limited to information regarding the total amount of green bonds issued by Sveaskog during 2023 and that the investments and expenses incurred by Sveaskog for the reporting period April 2022 to November 2023 are approved under Sveaskog's Green Bond Framework ("Sveaskog - Green Bond Framework"), page 10 of the Report.

Responsibilities of Sveaskog's Green Bond Committee for the Green Bonds Report 2023

Sveaskog's Green Bond Committee is responsible for the preparation of the Report in accordance with applicable criteria, which are stated in Sveaskog's Green Bond Framework. This responsibility also includes the internal control relevant to the preparation of a Green Bonds Report that is free from material misstatements, whether due to fraud or mistakes.

Auditor's responsibility

Our responsibility is to express a conclusion on the Report based on the limited assurance procedures we have performed. Our responsibility is limited to the historical information reported and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (Revised) Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Report and applying analytical and other limited assurance procedures. A limited assurance engagement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Sveaskog AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by Sveaskog's Green Bond Committee as described above. We consider these criteria suitable for the preparation of the Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Report is not prepared, in all material respects, in accordance with the criteria defined by Sveaskog's Green Bond Committee.

Stockholm, March 14th 2024
KPMG AB

Joakim Thilstedt
Authorized Public
Accountant

Torbjörn Westman
Expert member
of FAR

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Sveaskog, a state-owned company, is the largest forest owner in Sweden. The company's core business is to manage the forest, and provide timber, pulpwood, wood chips, biofuel, seedlings and forest services. In addition, the company makes land deals and develops the forest as a place for fishing, hunting and other nature experiences.

Contact

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