



Green financing framework

JUNE 2020

1. Introduction

About Scandinavian Biogas

Scandinavian Biogas Fuels International AB (“Scandinavian Biogas” or “the Company”), founded in 2005, is one of the largest private producers of biogas in the Nordic.

Scandinavian Biogas produces and sells renewable energy in the form of compressed biogas (CBG) and liquid biogas (LBG), as well as several related services. With world-leading expertise in the design and operation of biogas facilities to optimise biogas and bio-fertiliser production, Scandinavian Biogas is market leader in large-scale biogas production in the Nordic region and South Korea.

Scandinavian Biogas’ main products are biogas used in heat production, upgraded and liquid biogas used as vehicle fuel, and bio-fertiliser as a substitute for artificial fertiliser.

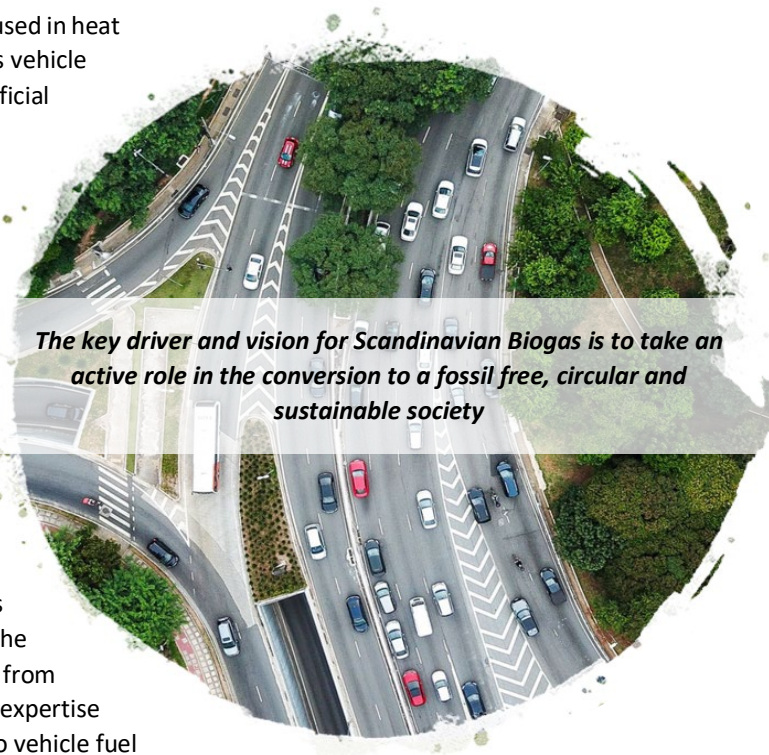
A fundamental part of the Company’s strategic focus is the development of methods and services to improve biogas and bio-fertiliser production efficiency for established as well as new types of waste. The main feedstocks currently used are wastewater sludge, food waste, salmon farming waste, and residues from industrial processes. Based on the Company’s research and development work with new and more efficient methods, biogas can be produced far more cost- and resource-efficiently than ever before, and the Company works continuously to develop and improve the digestion process when producing biogas from biomass. Scandinavian Biogas also has leading expertise in purification processes for upgrading biogas to vehicle fuel quality and liquefaction of biogas.

As one of the Nordic region’s largest private producers of biogas, Scandinavian Biogas helps customers and partners with what the Company is best at – designing and operating biogas plants with high resource and energy efficiency. In this way, Scandinavian Biogas supports the transition from fossil to renewable energy.

The global energy market is facing an enormous transformation, with the need for renewable energy increasing every year. Scandinavian Biogas is now seeing a paradigm shift as the benefits of liquid biogas are becoming increasingly evident for heavy transport and shipping in the Nordic countries. Through memberships in Energigas Sverige, Avfall Sverige and Biogas Öst, Scandinavian Biogas is engaged in advocacy work towards politicians, media and authorities in order to promote biogas long-term game rules. The Company contributed to proposal for “National Biogas Strategy”¹ and has contributed to the publishing of several articles over the years.

Circular economy of biogas

Biogas is often highlighted as a cornerstone of the circular economy, as it forms part of a closed loop in which waste, wastewater and forestry and industrial residues are used in renewable products such as fuel, electricity and heat. Biogas is normally produced from organic waste that has few other uses, which means that biogas extraction increases the circularity of the energy system and the economy. With low particle and nitric oxide emissions, biogas also benefits the local environment.



¹ <https://www.energigas.se/om-oss/nationella-samarbeten/projekt-nationell-biogasstrategi/>

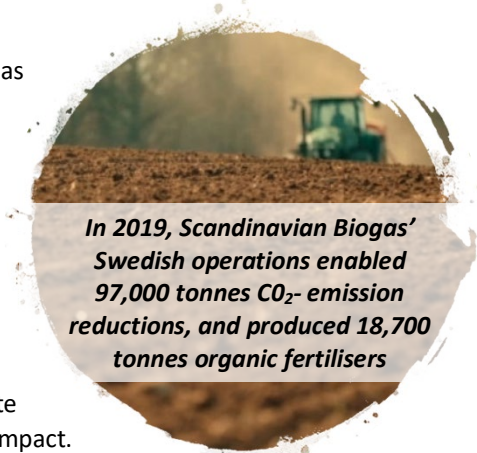
The main component of biogas is methane (CH₄). Methane is a high-quality, energy-rich energy carrying gas generated by the anaerobic, decomposition of organic matter. During anaerobic digestion biogas is formed from fresh organic material and recycled in the biosphere, which means that no additional fossil carbon dioxide is being produced.

Organic waste is processed in the production of biogas. Nutrients in the waste are returned to the earth through agriculture in the form of bio-fertiliser. Spread over arable land, it replenishes the earth with important nutrients such as nitrogen, phosphorus, potassium and magnesium. In this way, Scandinavian Biogas closes the circle, participates in the circular economy and promotes a sustainable society.







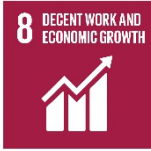
Scandinavian Biogas' sustainability approach

Scandinavian Biogas has been active within resource efficient biogas production for almost 15 years. For Scandinavian Biogas, sustainability comes down to the way the plants are designed, built and managed. This must be done with regard to environmental, social and economic impact on the external environment, the employees, the local community, the stakeholders, and society as a whole.

For Scandinavian Biogas, the sustainable production of biogas and bio-fertiliser involves feedstock traceability, production with the greatest possible resource efficiency and environmental and climate performance, and the lowest possible environmental impact.



Scandinavian Biogas' overarching sustainability goals and key sustainability issues

Strategic work area	Key sustainability issue	UN SDG target
Move towards a fossil-free, circular and sustainable society through investments, innovation and growth in the biogas field. One of the Company's strategic goals is an annual 20–30 per cent increase in biogas deliveries	<ul style="list-style-type: none"> Investments in renewable energy Sustainable biogas Long-term return 	   
Efficient and responsible operations by i) continuously reduce the operation's negative environmental impact and produce renewable products with high environmental performance and resource efficiency, and ii) be a responsible and transparent partner and manage the business in a trustworthy manner	<ul style="list-style-type: none"> Emissions to air Energy Waste Water Material Emissions to land & water Labelling Compliance Business ethics Suppliers Nearby operations 	 
Be an attractive employer that supports a safe and secure workplace, with committed employees	<ul style="list-style-type: none"> Health & safety Training 	

Sustainability management and policies

The aim with Scandinavian Biogas' sustainability targets is to integrate sustainability into all parts of the business, with an active responsibility from an environmental, social and economic perspective. As of today, the sustainability targets and policies cover the Swedish business, with an ambition to extend the coverage to include also the Norwegian and South Korean businesses in the future. The responsibility for the overall sustainability work lies with group management, while the operational responsibility lies in each business area. At the production facilities, the operations manager and sustainability manager are responsible for the sustainability work, who together with the staff set sustainability goals and produce action plans. The sustainability goals are followed up quarterly by the operations manager and business area management.



Scandinavian Biogas has a number of policy documents to guide on how the business should be operated. So far they cover the operations in Sweden, and include (most recent update); Business ethics policy (2013), Working environment policy (2013), Policy on workplace discrimination, harassment and bullying (2016), Environmental policy (2018), Policies for inflammable and hazardous materials (2018), Quality policy (2017) and Policy on intangible assets (2015).

The Green Financing Framework

Under this framework (the “Green Financing Framework”), Scandinavian Biogas and any of its subsidiaries, is able to issue green bonds, loans or other financial instruments (collectively the “Green Financing Instruments”). The Green Financing Framework is aligned with the ICMA Green Bond Principles ICMA Green Bond Principles 2018 and the LMA/APLMA/LSTA Green Loan Principles 2018². Scandinavian Biogas intends to follow best market practice as the standards develop, and will communicate in a transparent manner on:

- 📌 Use of proceeds
- 📌 Process for project evaluation and selection
- 📌 Management of proceeds
- 📌 Reporting

The green financing framework will function as a policy document for the Company, and the board of directors shall formally approve the policy document. Further, in the event of a material change of the policy document, the updated policy document shall be approved by the board of directors.










2. Use of proceeds

An amount equal to the net proceeds of the Green Financing Instruments will be used to finance or refinance, in whole or part, investments by the Company that promote the conversion to a fossil free, circular and sustainable society. Eligible green projects may include acquisition and development of new projects, renovation, improvements and upgrades of existing projects and to refinance existing projects. New financing is defined as financing for projects finalised or taken into operation less than 12 months prior to the green financing committee approval. Refinancing is defined as financing for projects taken into operation more than 12 months prior to the green financing committee approval.

Eligible projects may be subject to financing from several and various types of Green Financing Instruments provided that no double-counting occurs. Allocation to an asset or a project will not exceed the Company's ownership share.

The Company will not finance nuclear or fossil fuel energy generation with net proceeds of the Green Financing Instruments.

² GBP: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>
GLP: https://www.lma.eu.com/application/files/91115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Project category	Eligible green projects	UN SDG target
Renewable energy	<ul style="list-style-type: none"> - R&D related to HOLD Technology™ with objective to improve digesting process and stability as well as identification, development and industrial use of new feedstock, primarily wastes - Investments in capacity expansion, process improvements, value adding products and solutions - Investments in enhancing usage of products downstream - Investments and improvements aiming to ensure higher energy yield of feedstock used or lower energy usage at production site or in/outbound logistics 	    
Sustainable wastewater management and pollution prevention	<ul style="list-style-type: none"> - Investments and improvements aiming to lower feedstock and production related emissions - Investments and improvements aiming to increase recirculation of feedstock, water, digested and wastewater streams - Investments and improvements aiming to reduce the usage of clean water as well as services of wastewater treatment by recirculating the wastewater - Management system development 	  
Clean transportation	<ul style="list-style-type: none"> - Increasing availability of renewable energy carriers (CBG/LBG) for transportation, especially for heavy transportation and maritime 	

3. Process for project evaluation and selection

Scandinavian Biogas has established a green financing committee in charge of the governance of the green financing. The committee will meet on an annual basis (and more often if needed), is chaired by the CEO, and includes representatives from:

- 📌 Finance, Sustainability, Business area Sweden and R&D/Process

Other parties may be nominated as subject matter experts.

The committee's primary objectives are to:

- 📌 Carry out the project evaluation and selection process
- 📌 Monitor the green financing register
- 📌 Monitor and approve the annual allocation and impact reporting
- 📌 Approve any changes proposed to the Green Financing Framework

Projects will be selected in compliance with the eligible green projects. All decisions connected to the selection of the eligible green projects will be made in consensus.

4. Management of proceeds

All Green Financing Instruments will be managed on a portfolio level and will not be linked directly to specific eligible green projects. The net proceeds of the Green Financing Instruments will be tracked internally by being credited to a designated sub-account. The Company will keep track and ensure that there are sufficient eligible green projects in the portfolio via a green financing register. The register will form the basis for the reporting. Eligible green projects can be added/removed to/from the portfolio.

Where the net proceeds cannot be immediately allocated, the Company will invest the balance at its own discretion as per its overall liquidity management practise.

5. Reporting

Scandinavian Biogas will report on the allocation of net proceeds and associated environmental impact within one year from the first borrowing date and on an annual basis until no Green Financing Instruments are outstanding.

The green financing reporting will be published as a part of the Company's sustainability report and/or as a standalone report and will be made available on the Company's website.

Annual reporting

- ✦ The total amount of green financing outstanding
- ✦ The total amount of allocated net proceeds per project category
- ✦ A list of projects financed including a brief description
- ✦ The proportion of net proceeds used for financing versus refinancing, and any balance of unallocated net proceeds
- ✦ Environmental impact of projects financed

Project category	Examples of potential key performance indicators (KPIs)
Renewable energy	<ul style="list-style-type: none">- CO₂ savings (tonnes CO₂/year)- Renewable energy generation (MWh/year)- Yield from feedstock (Nm³ CH₄/ton ww)- Energy savings (MWh/year)
Sustainable wastewater management and pollution prevention	<ul style="list-style-type: none">- Quantity of recycled streams (tonnes/year)- Waste reduction (tonnes/year)- Quantity of water reduction (tonnes/year)- Pollution reduction (tonnes/year)- CO₂ savings (tonnes CO₂/year)
Clean transportation	<ul style="list-style-type: none">- CO₂ savings (tonnes CO₂/year)

6. External review

This framework is verified and approved by the external second opinion provider CICERO. The second opinion is available on the Company's website. Further, the company considers having the impact report externally assured in the future, however no decision is in place.