

A pair of hands is shown from the bottom, cupping a small, vibrant green pine sapling. The sapling has a thin brown trunk and several branches with fine, needle-like leaves. The base of the tree is covered in a mix of brown soil and green moss. The background is a soft, out-of-focus green, suggesting a natural outdoor setting. The overall image conveys a sense of care, growth, and environmental stewardship.

# Green Bonds

POST-ISSUANCE REPORT 2018

  
**SVEASKOG**

In September 2017, Sveaskog issued a new bond for a total of SEK 1 billion under a new green framework. Underlying the framework are the “Green Bond Principles” the aim of which is to promote investment in projects that deliver environmental sustainability. There was considerable interest and the bond was placed with 22 investors. In 2018 Sveaskog has not issued any further bond under the green framework.

Limiting global warming is one of the greatest challenges of our time. In this context the growing forest and the use of wood play a significant role in combating climate change. As Sweden’s largest forest owner, with 14% of the country’s productive forest land, Sveaskog conducts sustainable forest management in order to increase forest growth which creates more wood raw material that can replace fossil-based material as well as increasing the uptake of carbon dioxide from the atmosphere.

With its natural raw material, forest management and wood raw material play a key role in development towards a sustainable, bio-based society.





Photo: Getty Images

## Projects financed by Sveaskog's green bond

Sveaskog's SEK 1 billion bond was invested in 2017 and has financed sustainable forest management and development projects aimed at increasing the climate benefits of the forest and wood raw material, reducing energy consumption or the use of fossil resources. The following table shows the allocation across different types of project as well as the proportion of total project costs financed by the bond.

Project category according to framework	Total costs incurred (SEK thousands) allocated to the green bond	
	2018	2017
Sustainable forest management	0	875,987
Research and development	0	5,735
Acquisition of property	0	118,278
Total	0	1,000,000
Total green bond issued	0	1,000,000



## Sustainable forest management

The forest and forest management contribute to climate benefit in several ways. The growing forest binds carbon dioxide. Products made from wood store carbon dioxide throughout their lifetime and we can use wood raw material to replace fossil-based material. The more the forest grows, the greater the carbon dioxide uptake. The greatest amount of carbon dioxide sequestration over time is therefore in the managed forest.

Through sustainable forest management and active silvicultural activities a high level of growth can be aimed for which in turn ensures high carbon dioxide sequestration. At the same time we can harvest wood raw material that can be used to replace fossil resources.

Sveaskog's bond has been used to finance silvicultural activities such as cleaning, thinning, fertilising and nature conservation to the benefit of the climate and biodiversity which will continue to give results for many years to come.

During 2018 growth on Sveaskog's lands was 12 million forest cubic metres which corresponds to an uptake of 17 million tonnes of carbon dioxide.

*Picture: Sveaskog's Gisela Björse inspects regeneration in a selectively felled forest.  
Photo: Niklas Kämpargård.*

## Acquisition of property

Sveaskog is Sweden's largest forest owner with 4 million hectares of forest land (2018). All our forest land is certified according to the Swedish forest certification FSC® and PEFC, a global certification system for sustainable forest management. In this way we contribute to promoting sustainable forest management worldwide. Sveaskog's bond has been used to finance the acquisition of a total of 2,063 hectares which are therefore covered by Sveaskog's FSC and PEFC certifications.

The forest land is also included in Sveaskog's environmental goal which means that one-fifth of productive forest land is set aside for nature conservation purposes.

## Research and development

In its development projects, Sveaskog collaborates with other players from universities, forestry, the transport sector, the vehicle fuel sector, etc. Projects are usually multi-year and Sveaskog's bond was used to finance investments during 2017. A summary of how work on some of these projects has progressed is provided below.



*Both forestry and the climate benefit from longer and heavier vehicles.*

### Longer and heavier vehicles

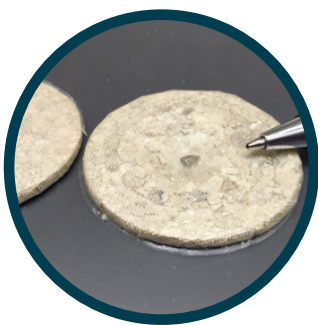
Sveaskog's involvement in a project to enable longer and heavier vehicles continued in 2018. On 1 July, part of the national road network was opened for the new bearing capacity BK4 which permits HGVs of up to 74 tonnes compared with the previous limit of 64 tonnes. So far only 12% of the road network is open for heavier vehicles but the ambition is to open the entire road network. This has motivated continued efforts for Sveaskog since the climate benefit is considerable when the same volume of timber can be transported with significantly fewer vehicles.



*Yellow gold, tall diesel, vehicle fuel from the forest.  
Photo: Patrick Degerman.*

### Vehicle biofuel from lignin in black liquor

A switch to renewable vehicle fuel is essential if Sweden is to achieve its fossil-free climate goal. Sveaskog participates in several projects aimed at producing vehicle fuel from wood raw material and its residues. Among other things, since 2014 the company has participated in a collaboration aimed at developing technology to extract lignin from pulp mills' black liquor and convert this to raw material for vehicle biofuel. A pilot plant has been successfully set up to test the technology. This trial will continue in 2019. Thereafter Sveaskog will make a decision on further investment in a full-scale production facility.



*SeedPad is a regeneration method where a pine seed is embedded in a thin hydroponic pad which also contains fertiliser.*

### SeedPad

Sveaskog is working on development of regeneration seeding. This method is significantly more energy efficient than traditional regeneration planting since seedlings must be initially forced in a greenhouse. For several years Sveaskog has been an active participant in the development of the product SeedPad. SeedPad consists of a thin hydroponic pad which contains fertiliser where the embedded processed pine seed is given optimum germination conditions. The trial has been successful but in 2018 Sveaskog decided to sell the company's patent rights to another project participant.

## **This report was approved at a meeting of Sveaskog's Green Bond Committee**

Stockholm, 8 March 2019

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