

OP Corporate Bank plc

Type of Engagement: Annual Review

Date: April 21, 2022

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Introduction

In February 2019, OP Corporate Bank plc ("OP Corporate Bank") issued a green bond ("2019 Green Bond") under the 2018 OP Financial Group Green Bond Framework (the "Framework").^{1,2,3} The 2019 Green Bond aimed at financing loans for Renewable Energy, Green Buildings, and Sustainable Land Use assets and businesses.⁴ In April 2022, OP Corporate Bank engaged Sustainalytics to review the assets funded through the issued 2019 Green Bond and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded between January 2021 and December 2021 based on whether the projects and companies:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Renewable Energy	<p>Loans to finance projects and businesses dedicated to the development, manufacturing, construction, operation, distribution, and maintenance of renewable energy:</p> <ul style="list-style-type: none"> • Offshore and onshore wind • Solar energy • Hydro power <ul style="list-style-type: none"> ◦ Nordic (Finland, Sweden, Norway or Denmark) hydro power plants excluding construction of new large scale hydro plants (>20MWh). ◦ Refurbishment investments or refinancing of large hydro power plants (>20MW) is permitted if the size of the water reservoir is not increased and the project is assessed 	<ul style="list-style-type: none"> • kWh of power generated from renewable energy • Tonnes of carbon dioxide (CO₂) equivalent avoided

¹ OP Corporate Bank plc is the senior unsecured bond issuing entity of OP Financial Group. Under the 2018 OP Financial Group Green Bond framework, OP Financial Group, through OP Corporate Bank plc, its subsidiaries, or any other issuing entities of the Group, may issue Green Bonds in various format, according to the prevailing terms described in the documentation.

² OP Financial Group, "OP Financial Group Green Bond Framework October 2018", at:

<https://www.op.fi/documents/20556/30424959/OP+Green+Bond+Framework/9077fe7e-fdd2-586b-23cf-7efa11289a6e>

³ In November 2018, Sustainalytics provided a Second-Party Opinion on the Framework, at:

<https://www.op.fi/documents/20556/30424959/Second+opinion/bd8ebc7b-ed18-a246-d0b2-b3c56c39e281>

⁴ The dedicated businesses are expected to derive more than 90 % of their turnover from environmentally friendly activities, which are in line with the Green Bond Framework.

	<p>and deemed to be compliant with the local regulations.</p> <ul style="list-style-type: none"> Waste to energy including energy from by-products of the forest sector, excluding biomass derived from sources of high biodiversity, that compete with food sources or that deplete carbon pools 	
Green Building	<p>Loans to finance projects and businesses dedicated to:</p> <p>1. Commercial or residential buildings that have obtained one of the following certifications:</p> <ul style="list-style-type: none"> LEED "gold" or better; BREEAM "very good" or better; the Nordic Swan Ecolabel (Svanen) certification; or any other equivalent regional recognised certification with similar standards and approved by the Green Bond Committee. <p>OR</p> <p>2. New or recently built commercial or public real estate buildings that are in class B or better in the Finnish energy classification for buildings</p> <p>OR</p> <p>3. Upgrade retrofits (renovations and refurbishments of buildings):</p> <ul style="list-style-type: none"> leading to better Energy Performance Certificates (EPCs), or leading to at least 15% lower energy use than that required by the applicable national building code for comparable buildings. 	<ul style="list-style-type: none"> Number of eligible buildings that received third-party-verified green building certification Reduction in energy use (kWh/year)
Sustainable Land Use	<p>Loans to finance projects and businesses dedicated to:</p> <ul style="list-style-type: none"> Sustainable forestry projects with a certification from FSC or PEFC The conversion of land from energy-intensive industry and/or fossil fuel intensive use to green zones, conservation areas or energy-neutral urban districts (e.g., highways to bikeways type projects) Sustainable agriculture, in the EU comprised of organic farming as certified in compliance with EU and national regulations 	<ul style="list-style-type: none"> Total land area under sustainably certified forests Amount organic Sustainable agriculture land financed in m²

Issuing Entity's Responsibility

OP Corporate Bank is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of OP Corporate Bank's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from OP Corporate Bank employees and review of documentation to confirm the conformance with the OP Financial Group Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by OP Corporate Bank with respect to the Nominated Projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by OP Corporate Bank.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of OP Corporate Bank's 2019 Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the OP Financial Group Green Bond Framework. OP Corporate Bank has disclosed to Sustainalytics that the proceeds of the 2019 Green Bond were fully allocated as of December 2021.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the OP Financial Group Green Bond Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the OP Financial Group Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation by Eligibility Criteria

OP Corporate Bank's 2019 Green Bond amounted to proceeds of EUR 500 million, which was fully allocated, with a reserve of unallocated green assets worth EUR 842.4 million in the Green Bond Register, as of December 2021. A summary of these allocations, broken-down by eligibility criteria, is provided below.

Use of Proceeds and Eligibility Criteria Category	Assets included in the Green Bond register (EUR Million)	Assets included in the Green Bond register by eligible sector (%)
Renewable Energy	1,013.9	75%
Green Buildings	182.5	14%
Sustainable Land Use	146.0	11%
Total	1,342.4	100%

Appendix 2: Impact Reporting by Eligibility Criteria

A. Impact Reporting Overview

Use of Proceeds and Eligibility Criteria Category	Sub – Category	Impact Metric	Environmental Impact of the 2021 Green Bond Reported by Eligibility Criteria ^{6,7}
Renewable Energy – offshore and onshore wind, solar energy, hydropower, waste to energy	Wind	<ul style="list-style-type: none">Greenhouse gas emission avoided⁸GWh of energy producedInstalled capacities of assets (actual production)	<ul style="list-style-type: none">94,300 tCO₂e avoided299.3 GWh generated113 MW installed capacity
	Solar		<ul style="list-style-type: none">500 tCO₂e avoided1.5 GWh generated2.2 MW installed capacity
	Hydro		<ul style="list-style-type: none">280,300 tCO₂e avoided889.8 GWh generated197.6 MW installed capacity
	Waste to energy		<ul style="list-style-type: none">16,400 tCO₂e avoided111.9 GWh generated7.2 MW installed capacity
In Total			<ul style="list-style-type: none">391,400 tCO₂e avoided1,302.5 GWh generated320.1 MW installed capacity

⁶ Figures are rounded.

⁷ This is the estimated adjusted impacts for the issued EUR 500 million bond. More information regarding the calculation methodology and assumptions can be found in section C.

⁸ Estimation following the Nordic Public Sector Issuers (NPSI): Position Paper on Green Bonds Impact Reporting Guidelines: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Resource-Centre/NPSIPositionpaper2019final-120219.pdf>

Use of Proceeds and Eligibility Criteria Category	Sub-Category	Impact Metric	Environmental Impact of the 2021 Green Bond Reported by Eligibility Criteria ^{6,7}
Green Buildings	BREEAM	<ul style="list-style-type: none">• Square meters of area under green building certification e.g. BREEAM and LEED• Greenhouse gas emissions avoided due to reduced energy consumption (estimated data)	<ul style="list-style-type: none">• 14,614.8 m² certified, 2,367.6 m² under construction⁹• 1,983.2 tCO₂e avoided
	LEED		<ul style="list-style-type: none">• 3,277.2 m² certified, 899.3 m² under construction⁹• 86.1 tCO₂e avoided
	RTS certification (at least 3 stars)		<ul style="list-style-type: none">• 3,377.8 m² under construction⁹
	In Total		<ul style="list-style-type: none">• 17,892 m² certified,¹⁰ 6,645 m² under construction• 2,069 tCO₂e avoided due to the reduced energy consumption from electricity and district heating¹¹

Use of Proceeds and Eligibility Criteria Category	Sub-Category	Impact Metric	Environmental Impact of the 2021 Green Bond Reported by Eligibility Criteria ^{6,7}
Sustainable Land Use	-	<ul style="list-style-type: none"> Hectares under forestry certification, e.g. FSC and PEFC Carbon sinks¹² 	<ul style="list-style-type: none"> 34,722 hectares of certified forest 36,807 tCO₂e in carbon sinks

⁹ The project is to be certified.

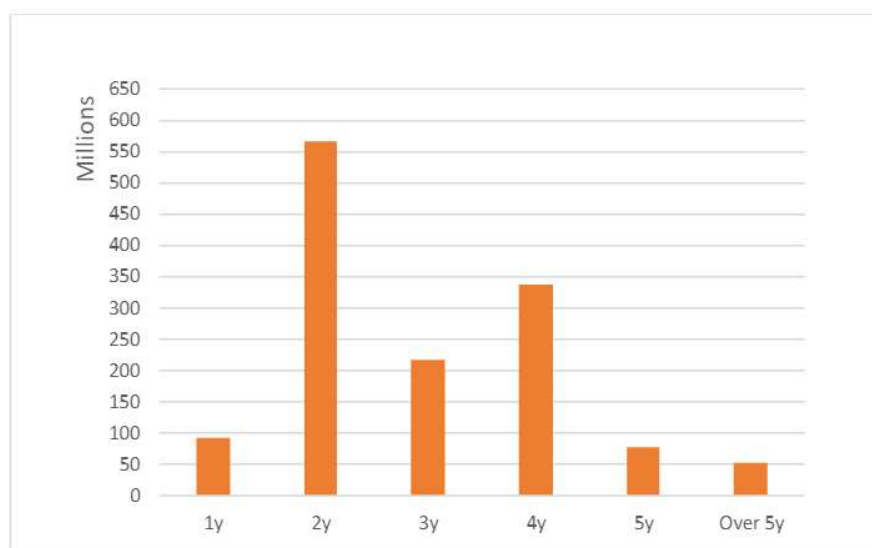
¹⁰ Currently, there are only BREEAM and LEED certified buildings in the OP Corporate Bank's building portfolio. However, there are buildings under construction which aim for RTS certification (at least 3 stars).

¹¹ This figure only includes the current BREEAM and LEED certified buildings in the OP Corporate Bank's building portfolio.

¹² Carbon sinks are calculated based on annual carbon increments in forest growing stock (including trunks, crowns, and roots) and converted to carbon dioxide equivalents (CO₂e) according to atomic mass.

B. The Origination Timeframe and Maturity Profile of The Loan

Op Corporate Bank has also reported the origination timeframe of the loans included in the Green bond register. As of December 2021, the average time passed between the first withdrawal date of the loan and the reporting date was 2,9 years. The graph displays the maturity profile of the loans in the portfolio showing the amount in EUR maturing every year for the next 5 years and also amount that will mature after the 5-year period from reporting date.



C. Calculation Methodology and Assumptions for Impact Estimation

1. Calculation method for weights used in calculating the impacts for OP Corporate Bank's 2019 Green Bond (proportioned to impacts of the entire Green bond register and OP's share of lending to the assets):

Use of Proceeds and Eligibility Criteria Category	OP Corporate Bank's average share of lending to the assets ¹³	Green Bond's share in the Green bond register ¹⁴	Total share of impact for OP Corporate Bank's 2019 Green Bond ¹⁵
Renewable Energy	35%	37%	13%
Green Buildings	20%	37%	8%
Sustainable Land Use	69%	37%	26%

2. Following recommendation from the Nordic Public Sector Issuers (NPSI), the default baseline chosen for accounting and disclosure of electricity¹⁶ is 315 gCO₂/kWh,¹⁷ hence the estimation of CO₂ emissions avoided is calculated based on below (Y represents the amount of electricity generated or saved):

$$(Y \text{ kWh electricity generated}) \times (315 \text{ gCO}_2/\text{kWh}) = \text{gCO}_2\text{e avoided}$$

For district heating, OP Corporate Bank has used the Finnish national emission factor of 177gCO₂/kWh. For other energy production assets, OP Corporate Bank has used figures provided by the producer.

¹³ The figure incorporates OP Corporate Bank's share of lending to the assets at the end of Dec 2021. For pure players, OP Corporate Bank has considered total equity and debt for the corporate; and for project financing, OP Corporate Bank has considered OP Corporate Bank's share of lending of the financed project.

¹⁴ This percentage adjusts the Green Bond's share of financing as part of the portfolio-level impacts (€500 million / €1,342.4 million = 37%).

¹⁵ This figure multiplies the portfolio-level share of impact, as well as OP's original share of lending.

¹⁶ OP Corporate Bank has assumed that renewable energy assets are carbon free.

¹⁷ EU Mainland grid factor (including Norway).

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