

OP Corporate Bank plc Green Bond Report

April 2021

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Independent Limited Assurance Report by KPMG Oy Ab

1 Introduction

OP Financial Group published its Green Bond Framework in 2018. Conducting business in a responsible manner and understanding customers' ESG risks better were the key drivers for OP Financial Group in entering the green bond market. By issuing green bonds, OP Financial Group supports one of its core values – Responsibility. [More information on OP's Green Bonds.](#)

Responsibility is incorporated into OP Financial Group's mission to create sustainable prosperity, security and wellbeing for its owner-customers and in its operating region – and is therefore an integral part of business and strategy. OP Financial Group's Corporate Responsibility work is guided by the Corporate Responsibility (CR) programme which is framed around four key themes and commitments. One of the four themes is "We foster a sustainable economy", which means that OP Financial Group supports sustainable development, mitigating climate change and adapting to it.

Some of the measures OP Financial Group took to promote sustainable economy in 2020 include:

- The value of sustainability-linked loans, green loans and limits granted to corporate customers was €1.5 billion in 2020.
- OP Finnfund Global Impact Fund I raised a total of €135 million in commitments in the first two rounds of funding in 2020.
- Assets under management in responsible investment funds amounted to €4.9 billion.
- OP Corporate Bank acted as an issuing bank in three out of four green bonds issued by companies in Finland. The three bond issuers were Tornator (€350 million), SATO (€350 million) and Stora Enso (€500 million).
- In terms of ESG ratings, OP Financial Group is among the best performers in the banking industry.
- OP Mortgage Bank published a Green Covered Bond Framework in 2020 and issued a €750 million Green Covered Bond in March 2021.
- OP Asset Management published a review on the impacts of climate change risks and opportunities on investments.
- OP Real Estate Asset Management signed the Net Zero Carbon Buildings commitment and seeks to achieve zero carbon emissions for its real estate portfolio by 2030.
- OP Financial Group's Vallila premises in Helsinki switched to carbon neutral district heating. Emissions caused by waste management are compensated.
- Engagement in advocacy work:
 - with OP Financial Group's support, WWF investigated the impacts of climate change on landscape.
 - OP Financial Group participated in Baltic Sea Action Group's Carbon Action project.
 - OP Financial Group joined an investor initiative to stop deforestation in Brazil.
 - OP Asset Management joined the Science Based Targets climate initiative of the CDP.

OP Financial Group is an active member in various sustainable finance and green bond working groups:

- International Capital Markets Association's (ICMA) Green and Social Bond Principles
- Climate Bonds Partners Program
- Climate Leadership Coalition
- Global Compact Network Finland
- one of the founding members of Finland's Sustainable investment Forum (FINSIF)
- part of the working group of the European Association of Co-operative Banks (EACB), Energy Efficiency Mortgages Initiative (EEMI) and Finance Finland

and is committed to various international standards and initiatives, including:

- Equator Principles
- UN Global Compact
- UN Principles for Responsible Investment (UNPRI)
- UNEP FI Principles for Responsible Banking
- Collective Commitment to Climate Action (CCCA)
- Montréal Carbon Pledge
- OECD Guidelines for Multinational Enterprises

[More information on OP's Corporate Responsibility.](#)

2 ESG integration in OP's corporate lending

OP Corporate Bank has developed its ESG analysis methodology that seeks to further understand its corporate clients' ESG-related risks and opportunities. The ESG analysis employs a comprehensive and systematic ESG materiality framework that helps focus on the most relevant issues for each sector. ESG analysis is used to support the bank's credit risk analysis in identifying both green and sustainable businesses and their associated risks. In order to carry out ESG-related assessments within corporate lending, OP has increased resources within the credit analysis department during 2020.



3 OP Corporate Bank plc's Green Bond

OP Corporate Bank plc issued its first green bond in February 2019.

Green Bond in brief	
Issuer	OP Corporate Bank plc
Issuer ratings	Aa3 (Stable) by Moody's / AA- (Stable) by S&P
ISIN	XS1956022716
EMTN series number	230
Nominal amount	EUR 500 million
Issue type	Senior unsecured fixed rate notes (Senior Preferred, Green Bond)
Use of Proceeds	Green eligible projects and businesses under the OP Financial Group Green Bond Framework Renewable energy, green buildings, sustainable land use
Pricing date	19 Feb 2019
Issue date	26 Feb 2019 (T+5)
Maturity date	26 Feb 2024
Coupon (annual)	0.375%
Listing	Euronext Dublin
Second Party Opinion	Sustainalytics

4 Use of Green Bond Proceeds

OP's Green Bond Framework, published in accordance with the ICMA Green Bond Principles, includes the following eligible sectors:

1. Renewable energy
2. Energy efficiency
3. Green buildings
4. Pollution prevention and control (including sustainable water management)
5. Sustainable land use, and
6. Clean transportation

The Green Bond Framework, including e.g. further description of eligible use of proceeds, process for project evaluation and selection and management of proceeds, is available on [OP's debt investor relations website](#).



4.1 Green bond register and assets allocated to green bond

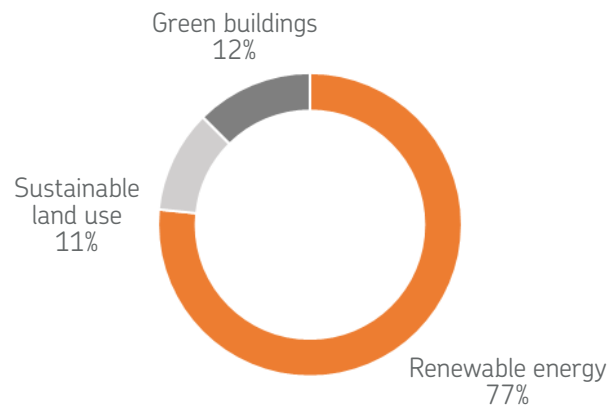
As at end-December 2020, the Green bond register included eligible assets within renewable energy, green buildings and sustainable land use. There were 36 corporate loans included in the Green bond register, while the number of companies was 31.

OP Corporate Bank's green bond amounted to €500 million, which was fully-allocated to green assets in accordance with the Green bond framework. There was a reserve of unallocated green assets worth €835.5 million in the Green bond register totaling €1,335.5 million (77% Renewable energy, 12% Green buildings and 11% Sustainable land use) as at end-December 2020.

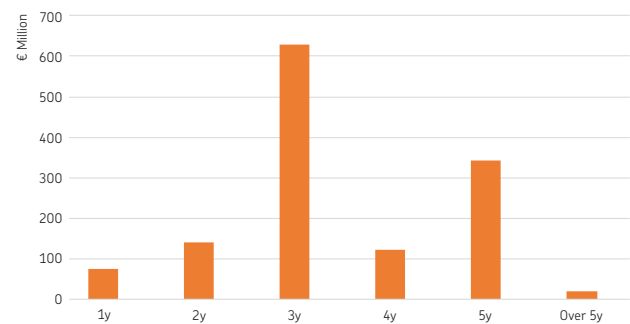
4.1.1 Assets included in the Green bond register by eligible sector as at end-December 2020

Eligible sector	Assets included in the Green bond register, EUR million
Renewable energy	1 023.1
Green buildings	166.4
Sustainable land use	146.0
Total	1 335.5

Assets included in the Green bond register by eligible sector



4.1.2 Assets included in the Green bond register by remaining maturity, as at end-December 2020



In order to communicate the origination timeframe of the loans included in the Green bond register, OP has chosen to report average look-back period of the portfolio. Average look-back period indicates the time passed between the first withdrawal date of the loan and the reporting date. At year-end 2020, the average look-back period of the loans included in OP's Green bond register was 2 years.

4.2 Changes made to the Green bond register during 2020

The Green bond register is approved by the Green Bond Committee once every quarter.

In November 2018, by the time of publishing the Green Bond Framework, the register totaled €967 million. Number of loans included in the register was 19 and number of companies 14.

In December 2019, the register totaled €961 million. Compared to November 2018, the total green assets included in the register decreased by €6 million mainly due to loans having matured. However, at the same time, new eligible assets were included in the Green bond register during 2019. As at December 2019, there were 20 corporate loans included in the Green bond register, while the number of companies was 15.

In end-December 2020, the register totaled €1,335.5 million. Number of loans increased to 36 and number of companies to 31. The eligibility of the existing green assets in the portfolio is quarterly re-evaluated by the credit department and approved by the Green Bond Committee.

OP has internal processes in place to systematically identify green loans that are eligible for green bonds. The processes include clear responsibilities within the OP Business Units. Each new potentially green loan is evaluated by the OP Corporate Analysts' dedicated ESG team against OP's internal sustainable finance policies and the Green Bond Framework.



4.3 Examples of businesses and projects financed

OP Corporate Bank has engaged with companies to be referenced as examples of businesses financed and included in the Green bond register.

Exilion Tuuli Ky:

Exilion Tuuli Ky was founded in April 2019 and it is owned by Elo Mutual Pension Insurance Company, Veritas Pension Insurance and the State Pension Fund of Finland. In total the company owns 380 MW of operational wind capacity in 13 wind farms which is equivalent to one sixth of Finland's total capacity. This corresponds to an annual electricity consumption of 55,360 single-family houses.

OP Corporate Bank's total eligible signed loan amount is approximately 140 million euros, maturing in 2025. Exilion Tuuli Ky invests responsibly in wind power and other sources of renewable energy. Wind power is considered a clean energy production method which produces no direct CO2 emissions during operational phase. In October 2020, Exilion Tuuli Ky purchased St1's wind parks after Tuuliwatti Oy demerged, which significantly increased the company's amount of produced wind power.



Lakiakangas 3 wind farm:

The construction of the new Lakiakangas 3 wind farm in Ostrobothnia began as a cooperation between Helen and CPC Finland Oy in 2020. The wind farm will consist of 20 Vestas turbines with a total power generation of 86 MW. Helen aims to achieve carbon neutral energy production by 2035 and wind power is one of the ways to achieve the target. Energy generated by the Lakiakangas 3 farm will be available to Helen's customers in 2022.

OP Corporate Bank's total eligible signed loans in the Lakiakangas 3 wind farm project amount to approximately 70 million euros, maturing in 2027. The park is set to commence generation in the third quarter of 2021 and is expected to generate 274.4 GWh of electricity annually.



Espoo Schools PPP Project (Kumppanuuskoulut Oy):

Espoo Schools PPP Project is the first municipal public-private partnership project in Finland. The project consists of five schools and three kindergartens in Espoo following ambitious environmental standards. Shareholders Meridiam and YIT established the project company Kumppanuuskoulut Oy. YIT will construct and maintain the buildings until 2042. The first facilities are scheduled to be completed in 2022, and the construction phase will be finalized in January 2024. After completion, almost 4,000 pupils will have access to new education facilities.

OP Corporate Bank's total eligible signed loans amount to up to 35 million euros, maturing in 2041. The project aims to obtain RTS certification (4 stars) and Energy Certification Class "A" for all facilities, which is aligned with OP Financial Group's Green Bond Framework. Increased capacity of education facilities allows for various group sizes in classrooms which has a positive impact on learning.



Pohjois-Tapiola School
Image by YIT and
Linja Architects





5 Estimated Environmental Impacts

5.1 Selected impact metrics and estimated total impacts per eligible sector

In accordance with ICMA Harmonized Framework for Impact Reporting, published in June 2019, OP selected the key impact metrics to be used in reporting of estimated impacts of the Green bond register and the green bond.

The table below shows bond-level total impacts (during 2020) of the assets included in OP Corporate Bank's Green bond register as at end-December 2020 (€1,335.5 million) by eligible sector.

The impact metrics and estimated total impacts per eligible sector are as follows:

Eligible sector	Impact metric	Estimated OP adjusted (see section 5.2) total impacts	Most relevant SDGs
Renewable energy (from mixed energy sources as outlined in the Green Bond Framework)	MWh of energy produced; installed capacities of assets (actual production); avoided CO ₂ emissions	199 600 tCO ₂ e (metric tons) avoided ⁶ 710.3 GWh of energy generated ⁷ 390.5 MW of energy capacity installed and 14.1 MW currently under construction	 
Green buildings	Square meters of area under green building certification e.g. BREEAM ¹ and LEED ² and Finnish EPCs ³ GHG emissions avoided due to reduced energy consumption (estimated data)	20 000 m ² of green certified building area and 3 770 m ² currently under construction (meeting the certification level requirements outlined in the Green Bond Framework) 2 300 tCO ₂ e avoided due to reduced energy consumption from electricity and district heating	
Sustainable land use	Hectares under forestry certification e.g. FSC ⁴ and PEFC ⁵ Carbon sinks ⁸	48 298 hectares of certified forests 142 500 tCO ₂ e in carbon sinks	

¹ BREEAM (Building Research Establishment's Environmental Assessment Method) is the world's leading sustainability assessment method for masterplanning projects, infrastructure and buildings (Source: BREEAM; What is BREEAM?, <https://www.breeam.com/>).

² LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world (Source: U.S. Green Building Council; LEED rating system, <https://new.usgbc.org/leed>).

³ Energy Performance Certificates (EPC) help compare buildings' energy efficiency. In Finland, EPC's are based on the building's E figure, which is

composed of the building's calculated annual consumption of purchased energy, weighted with the factors of various forms of energy (Source: Motiva; Energy performance certificate, https://www.motiva.fi/en/home_and_household/building/energy_performance_certificate).

⁴ The Forest Stewardship Council – FSC – promotes environmentally appropriate, socially beneficial, and economically viable forest management all over the world (Source: FSC – Forest Stewardship Council, <https://fi.fsc.org/fi-fi/briefly-in-english-01>).

⁵ PEFC (Programme for the Endorsement of Forest Certification) is an international forest certification system promoting ecologically, socially and economically sustainable forestry throughout the world (Source: PEFC, <https://pefc.fi/english/>).

⁶ Actual figures were calculated using confirmed energy-generation data from the Finnish Energy Authority (based on information disclosed by 31.3.2021), data provided by the companies and the NPSI guidelines. (See section 5.2)

⁷ Actual figures were calculated using confirmed energy-generation data from the Finnish Energy Authority (based on information disclosed by 31.3.2021), and data provided by the companies. (See section 5.2)

⁸ 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.

5.2 Calculation methods and assumptions used for estimating the impacts

The below table seeks to transparently illustrate OP Green Bond's total share of financing of the assets. The first column identifies the average share OP has had in financing the underlying assets in respective categories. The second column assigns a weight for the Green Bond

as a proportion of the Green bond register (please see the footnotes for further information). The third column is a multiplication of the two weights, which indicates the impact allocated for the Green Bond as illustrated in the previous table (section 5.1).

Eligible sector	OP's average share of lending to the assets ¹	Green Bond's share of the Green bond register ²	Total share of impact for OP's Green Bond ³
Renewable energy	44%	37%	16%
Green buildings	23%	37%	9%
Sustainable land use	100%	37%	37%

The original impact figures have been retrieved from the owners of the underlying assets, as well as Finland's public databases maintained by the Energy Authority⁴. OP has sought to provide transparent data for investors relating to the shares of impact from the Green Bond. The logic for calculating annual CO₂-avoidance from the assets follows the Nordic Public Sector Issuers (NPSI): Position Paper on Green Bonds Impact Reporting guidelines⁵.

For calculating CO₂ emissions avoided, we have chosen the 315 gCO₂/kWh baseline as recommended in the NPSI guidelines. This represents the EU Mainland grid factor including Norway as a default baseline for accounting and disclosure of electricity. We have opted to follow NPSI's suggestion for the baseline, as the Nordic electricity market

is interconnected with the European market. For district heating we have used the Finnish national emission factor of 148 gCO₂/kWh⁶. For production of other forms of energy than electricity we have used figures used by the producer. For the sake of clarity, we have assumed that assets within renewable energy are carbon free⁷.

For emissions avoided from green buildings, we have examined both electricity use and heating. In order to do that, we have considered relevant local emissions baselines for district heating.

Finally, the avoided emissions are adjusted for the Total share of Impact as illustrated in the table in section 5.2.

¹ OP has not been a sole lender for all the assets, and this figure adjusts the impact for OP's share (average for each category). The figure incorporates OP's share of lending to the assets at the end of Dec 2020, as this was the most recent data available when drafting this report. For pure players, we have considered the total outstanding debt for the corporate, and for project financing, we have considered OP's share of lending to the individual project.

² This percentage adjusts the Green Bond's share of financing as part of the portfolio-level impacts (€500 million / €1335 million = 37%).

³ This figure multiplies the portfolio-level share of impact, as well as OP's original share of lending.

⁴ Finland's Energy Authority (<https://energiavirasto.fi/en/frontpage>).

⁵ Nordic Public Sector Issuers; Position Paper on Green Bonds Impact Reporting, February 2020 ([Nordic Public Sector Issuers; Position Paper on Green Bonds Impact Reporting](#))

⁶ Motiva ([National emission factor for district heating in Finland](#))

⁷ As such, emissions avoided are calculated as follows (Y represents the amount of electricity generated or saved): Y kWh electricity generated X 315 gCO₂/kWh = Y X 315 gCO₂e avoided

6 External review and verification

OP engaged KPMG Oy Ab to issue an independent limited assurance on its Green Bond Report. The scope of this limited assurance was the use of proceeds of the green bond. Please see the end of the report for the limited assurance report.

7 Second Party Opinion Annual Review

OP engaged Sustainalytics to issue an Annual Review following its Second Party Opinion initially published in 2018, which includes assessment of OP's Green Bond Report, including impact reporting. The Second Party Opinions issued by Sustainalytics are available on [OP's debt investor relations website](#).

Contacts



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For OP Financial Group's and issuing entities' financial reports and other publications, please visit the [Debt IR website](#).



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Independent Limited Assurance Report

The Board of Directors of OP Corporate Bank plc engaged us to provide limited assurance on the Selected Information described below and set out in OP Corporate Bank plc's "Green Bond Report" dated April 2021 for OP Corporate Bank plc's Green Bond (ISIN XS 1956022716).

Selected Information

The scope of our work was limited to assurance over the allocation of bond proceeds per eligible sector as of 31 December 2020 and as stated in the section *4.1 Green bond register and assets allocated to green bond* of the Green Bond Report.

The reporting criteria against which the allocation of proceeds was assessed is described in OP Corporate Bank plc's Green Bond Framework published in October 2018.

Management's Responsibility for the Green Bond Investor Letter and Impact Report

Management is responsible for the preparation and presentation of the Green Bond Report and Selected Information in accordance with the reporting criteria as set out in Green Bond Framework. This responsibility includes designing, implementing and maintaining internal tracking method relevant to the proper preparation and presentation of the Green Bond Report and Selected Information.

The Practitioner's Responsibility

Our responsibility is to express a conclusion on the Selected Information in the Green Bond Report based on our work performed. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that causes us to believe that the Selected Information do not comply in all material respects with the criteria set out in the Green Bond Framework.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The scope of our work was limited to assurance over the allocation of green bond proceeds to approved eligible loans per eligible sector as of 31 December 2020 and as stated in the section *4.1 Green bond register and assets allocated to green bond* in the Green Bond Report.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of risks of material incompliance of Selected Information in the Green Bond Report with the criteria.

Work Performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- Made enquiries to OP Corporate Bank plc's management, including those with responsibility for green bond governance, management and reporting.
- Evaluated and updated our understanding of the design of the internal tracking method for managing, recording and reporting the Selected Information.



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- Obtained the listing of eligible loans allocated into the green bond, and confirmed consistency with the disclosure in section 4.1 *Green bond register and assets allocated to green bond* in the Green Bond Report.
- Inspected minutes of the Green Bond Committee to confirm that the allocated eligible loans had been considered and approved according to the process described in the Green Bond Framework.
- Performed limited substantive testing to verify existence and accurate allocation of green bond proceeds per eligible sector as set out in the section 4.1 *Green bond register and assets allocated to green bond* in the Green Bond Report. In our testing we obtained a detailed listing of loan amounts to assure the following:
 - correct allocation of proceeds to eligible loans
 - alignment of eligible loans and balance sheet breakdown
- Considered the disclosure and presentation of the Selected Information.

Our assurance does not extend to any other information included in the Green Bond Report. We have not reviewed and do not provide any assurance over individual loan information reported nor estimates of environmental impacts.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Selected Information as of 31 December 2020 in the Green Bond Report dated April 2021 does not comply in all material respects with the criteria as set out in the Green Bond Framework.

This conclusion has been formed on the basis of, and is subject to, the inherent limitations outlined elsewhere in this independent assurance report.

Restriction on Use and Distribution

This report, including our conclusion, has been prepared solely for the Board of Directors of OP Corporate Bank plc in accordance with the agreement between us, to assist the Directors in reporting OP Corporate Bank plc's green bond performance and activities. We permit this report to be disclosed in the Green Bond Report dated April 2021, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and OP Corporate Bank plc for our work or this report except where terms are expressly agreed between us in writing.

23 April 2021

KPMG Oy Ab

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Authorised Public Accountant (APA)

Tomas Otterström
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