

OP Corporate Bank Plc

Type of Engagement: Annual Review

Date: April 24, 2023

Engagement Team:

Pauline Horng, pauline.horng@morningstar.com

Zoe Wittmann, zoe.wittmann@morningstar.com

Introduction

In 2019 and 2022, OP Corporate Bank Plc¹ (“OP Corporate Bank” or “OP”) issued two green bonds to finance or refinance projects² aimed at providing positive environmental impact with regard to renewable energy, green buildings, pollution prevention and control, and environmentally sustainable management of living natural resources and land use in the Nordics (Finland, Sweden, Norway and Denmark) and across the Baltic states (Estonia, Latvia and Lithuania). In January 2022, Sustainalytics provided a second-party opinion³ on the OP Corporate Bank Green Bond Framework⁴ (the “Framework”). In April 2023, the Bank engaged Sustainalytics to review the projects funded through the green bonds (the “Nominated Projects”) and to provide an assessment as to whether the projects met the use of proceeds criteria and reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether the projects met the use of proceeds and eligibility criteria outlined in the OP Corporate Bank Green Bond Framework.

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

Use of Proceeds ⁵	Eligibility Criteria	KPIs
Renewable Energy	<p>Development, manufacturing, construction, operation and maintenance of renewable energy:⁶</p> <ul style="list-style-type: none"> • Wind power • Solar power • New hydropower plants if they meet one of the following: i) run-of-river plants without artificial reservoir or low storage capacity; ii) life-cycle emissions below 50 gCO₂e/kWh; or iii) power density greater than 10 W/m². All new hydropower projects undergo an environmental and social risk assessment. • Refurbishment of existing hydropower plants in compliance with local regulations, which does not increase the size of the water reservoir. 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tCO₂e • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Capacity of renewable energy plant(s) constructed or rehabilitated in MW

¹ OP Corporate Bank Plc is the corporate banking subsidiary of OP Financial Group, the largest financial services group in Finland.

² This includes project-based lending as well as general-purpose financing for pure play companies that derive at least 90% of their turnover from activities identified in the eligible categories.

³ Sustainalytics, “OP Corporate Bank Plc Green Bond Framework Second-Party Opinion”, (2022), at: [https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/op-corporate-bank-plc/op-corporate-bank-plc-green-bond-framework-second-party-opinion-\(2022\)/op-corporate-bank-plc-green-bond-framework-second-party-opinion](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/op-corporate-bank-plc/op-corporate-bank-plc-green-bond-framework-second-party-opinion-(2022)/op-corporate-bank-plc-green-bond-framework-second-party-opinion)

⁴ The OP Corporate Bank Green Bond Framework is available on OP’s website at: <https://www.op.fi/op-financial-group/debt-investors/green-bonds>

⁵ OP Corporate Bank has allocated the proceeds from both bond issuances (2019 and 2022) solely to four out of seven use of proceeds categories, namely: i) renewable energy; ii) green buildings; iii) pollution prevention and control; and iv) environmentally sustainable management of living natural resources and land use.

⁶ All eligible renewable energy projects under this category are required to have life-cycle emissions below 100 gCO₂e/kWh.

	<ul style="list-style-type: none"> Bioenergy from forestry and agricultural residues, excluding biomass derived from sources of high biodiversity that compete with food sources or that deplete carbon pools. Ground source heat pumps and geothermal projects. 	
Transmission of Energy	<ul style="list-style-type: none"> Installation or development of transmission lines dedicated to connecting renewables to the grid. System grids with average emissions intensity from the network below 100 gCO₂e/kWh, or over 67% of the newly enabled generation in the system having emissions below 100 gCO₂e/kWh. 	<ul style="list-style-type: none"> Transmission distance in km Annual GHG emissions reduced/avoided in tCO₂e Annual energy transmitted in MWh/GWh (electricity) and GJ/TJ (other energy) Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy)
Energy Efficiency	<ul style="list-style-type: none"> Infrastructure, equipment, technology and processes designed to enable a reduction in energy consumption and an increase in energy efficiency. These may include: i) smart grid components; ii) energy storage; and iii) monitoring and control automation devices. 	<ul style="list-style-type: none"> Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy) Annual GHG emissions reduced/avoided in tCO₂e
Green Buildings	<p>Acquisition, development, renovation and refurbishment of buildings:</p> <ul style="list-style-type: none"> Buildings that have obtained one of the following green building certifications: i) LEED (Gold or above); ii) BREEAM (Very Good or above); iii) the Nordic Swan Ecolabel; iv) EDGE; v) RTS (3 stars or above); or any other equivalent regionally recognized certification with similar standards. Buildings that have received an energy performance certificate (EPC) with energy class A or that belong in the top 15% energy-efficient buildings of the national building stock based on primary energy demand. Renovation and refurbishment of existing buildings that lead to at least a 30% reduction in primary energy demand per square meter compared to pre-renovation levels. 	<ul style="list-style-type: none"> Type of certification scheme, certification level and m² of gross building area Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy)
Pollution Prevention and Control (including Sustainable Water Management)	<ul style="list-style-type: none"> Reduction of air emissions and GHG control, excluding projects intended for fossil fuel operations. Soil remediation, excluding projects that result from the contamination or negative environmental impact of the Bank's borrower's own activities. Waste collection, sorting and treatment activities aimed at recycling and reusing waste. 	<ul style="list-style-type: none"> Waste prevented, minimized, reused or recycled Waste collected and treated or disposed Energy recovered from waste Annual water savings/recycled/purified

	<ul style="list-style-type: none"> Water and wastewater management, including: i) the development of infrastructure for clean or drinking water; ii) wastewater treatment; and iii) sustainable urban drainage systems. This excludes the treatment of wastewater from fossil fuel operations. Waste-to-energy projects from municipal solid waste where hazardous waste, plastics and recyclable material are separated prior to incineration. This includes a waste hierarchy, to ensure that as much waste as possible is reused and recycled before being converted to energy. 	<ul style="list-style-type: none"> Annual volume of wastewater treated or avoided
Environmentally Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> Sustainable forestry projects that have been certified under Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). Organic agriculture in compliance with the EU and national regulations. Sustainable aquaculture certified by the Aquaculture Stewardship Council (ASC). 	<ul style="list-style-type: none"> Total land area under sustainably certified forests Amount of organic sustainable agriculture land financed in m²
Clean Transportation	<ul style="list-style-type: none"> Fully electric and other low-carbon⁷ (e.g. hydrogen, plug-in hybrid) vehicles or mobility as a service, and supporting infrastructure, such as IT upgrades and charging infrastructure. Projects, activities and technology that support clean transportation infrastructure such as expansion and improvements of train, tram, metro networks and bicycle schemes (excluding such infrastructure that is primarily dedicated for transportation of fossil fuels). 	<ul style="list-style-type: none"> Passenger-kilometre (i.e transport of one passenger over one kilometre) and/or passengers Tonne-kilometre (i.e the transport of one tonne over one kilometre) and/or tonnes Annual GHG emissions reduced/avoided in tCO₂e

Issuer’s Responsibility

OP Corporate Bank is responsible for providing accurate information and documentation relating to the details of the Nominated Projects, including description of projects, amounts allocated and environmental 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 bonds’ use of proceeds. The work undertaken as part of this engagement included collection of documentation from OP and review of documentation to assess conformance with the OP Corporate Bank Green Bond Framework.

Sustainalytics relied on the information and the facts presented by OP with respect to the eligible projects. Sustainalytics is not responsible, nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by OP.

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 of the review.

⁷ Light vehicles with emissions lower than 50 gCO₂/km.

Conclusion

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Projects are not in conformance with the use of proceeds criteria and reporting criteria outlined in the OP Corporate Bank Green Bond Framework.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the green bonds to determine if projects aligned with the use of proceeds criteria outlined in the OP Corporate Bank Green Bond Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the green bonds to determine if impact of projects was reported in line with the KPIs outlined in the OP Corporate Bank Green Bond Framework. For a list of KPIs reported, please refer to Appendix 2.	All projects reviewed reported on at least one KPI per category.	None

⁸ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs and impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Reported Allocation as of Q4 2022⁹

OP Corporate Bank's 2019 green bond amounted to EUR 500 million of proceeds, which were fully allocated. OP's 2022 green bond amounted to EUR 500 million of proceeds, which were fully allocated.

Use of Proceeds Category	Portfolio of Eligible Projects (EUR million)	Proceeds Allocated Green Bond 2019		Proceeds Allocated Green Bond 2022		Remaining Portfolio of Eligible Projects (EUR million)
		EUR million	%	EUR million	%	
Renewable Energy	1,141	368	74	332	67	441
Green Buildings	244	75	15	75	15	94
Pollution Prevention and Control	59	0	0	36	7	23
Environmentally Sustainable Management of Living Natural Resources and Land Use	186	57	11	57	11	72
Total	1,630	500	100	500	100	630

Appendix 2: Reported Impact

Use of Proceeds Category	Sub-Category	Estimated Environmental Impact (KPIs)
Renewable Energy	Wind	<ul style="list-style-type: none"> GHG emissions avoided: 126,871.7 tCO₂e Energy generated: 402.8 GWh Installed capacity: 151.5 MW
	Solar	<ul style="list-style-type: none"> GHG emissions avoided: 1,599.6 tCO₂e Energy generated: 5.0 GWh Installed capacity: 6.7 MW
	Hydropower	<ul style="list-style-type: none"> GHG emissions avoided: 369,267.8 tCO₂e Energy generated: 1,172.3 GWh Installed capacity: 372.2 MW
	Waste to Energy ¹⁰	<ul style="list-style-type: none"> GHG emissions avoided: 16,643.3 tCO₂e Energy generated: 118.6 GWh Installed capacity: 11.5 MW
Green Buildings	BREEAM (Very Good and above)	<ul style="list-style-type: none"> Square meters certified: 9,838.1 m² Square meters certified (under construction): 6,172.2 m² GHG emissions avoided: 992.5 tCO₂e

⁹ OP Corporate Bank has confirmed that the refinancing of projects under Appendix 1 has taken place within a 36-month period preceding the dates of issuances.

¹⁰ Waste-to-energy projects are listed under two use of proceeds categories, renewable energy and pollution prevention and control. To avoid double accounting, OP split the total estimated impact from waste-to-energy projects equally, thus OP reports equal impact figures under both categories.

	LEED (Gold and above)	<ul style="list-style-type: none"> • Square meters certified: 9,340.2 m² • Square meters certified (under construction): 8,068.4 m² • GHG emissions avoided: 151.7 tCO₂e
	RTS (3 stars and above)	<ul style="list-style-type: none"> • Square meters certified: 10,401.5 m² • Square meters certified (under construction): 3,934.6 m² • GHG emissions avoided: 621.1 tCO₂e
	EPC A	<ul style="list-style-type: none"> • Square meters certified: 10,116.6 m² • Square meters certified (under construction): 650.6 m² • GHG emissions avoided: 1,171.5 tCO₂e
Pollution Prevention and Control	Waste to Energy ¹¹	<ul style="list-style-type: none"> • GHG emissions avoided: 16,643.3 tCO₂e • Energy generated: 118.6 GWh • Installed capacity: 11.5 MW
Environmentally Sustainable Management of Living Natural Resources and Land Use	Sustainable Forestry	<ul style="list-style-type: none"> • FSC and PEFC certified forest: 61,550.2 hectares • Carbon sinks:¹² 65,853.9 tCO₂¹³

¹¹ Waste-to-energy projects are listed under two use of proceeds categories, renewable energy and pollution prevention and control. To avoid double accounting, OP split the total estimated impact from waste to energy projects equally, thus OP reports equal impact figures under both categories.

¹² Carbon sinks refer to absorbed carbon by certified forests.

¹³ 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.

Disclaimer

Copyright ©2023 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

