

Second-Party Opinion

Sparbanken Syd Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sparbanken Syd Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings; Energy Efficiency; Renewable Energy; Clean Transportation; Environmentally Sustainable Management of Living Natural Resources and Land Use; and Waste Management and Circular Economy – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION Sparbanken Syd's Green Bond Committee is responsible for evaluating and selecting potential green projects in line with the eligibility criteria in the Framework. The committee meets on a regular basis and consists of representatives from Sparbanken Syd's Finance, Credit and Sustainability departments. All eligible projects must undergo the Bank's sustainability analysis on environmental and social risks. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Sparbanken Syd's Finance and Treasury department will be responsible for the management of proceeds and will track their allocation on a green register using a portfolio approach. The Bank will allocate proceeds fully within 12 months from each issuance. Pending full allocation, unallocated proceeds will be held in the Bank's liquidity reserve in accordance with the Bank's exclusions list. This is in line with market practice.



REPORTING Sparbanken Syd will report on the allocation of proceeds and corresponding impacts annually in an investor report, which will be published on the Bank's website until full allocation and for as long as green bonds remain outstanding. Allocation reporting may include the outstanding amount of green bonds, the share of proceeds used for new financing versus refinancing, and an allocation breakdown for each eligible project category. Sustainalytics views Sparbanken Syd's allocation and impact reporting as aligned with market practice.

Evaluation Date March 17, 2025

Issuer Location Ystad, Sweden

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Introduction

Sparbanken Syd (the "Bank") is Sweden's oldest independent savings bank, established in 1827 and headquartered in Ystad. The Bank provides various banking services, including savings accounts, deposits, payment cards, pension plans, corporate financing, consumer loans and mortgages, primarily serving private individuals, businesses and organizations in Skåne County, Sweden. As of December 2023, Sparbanken Syd reported SEK 12.7 billion (EUR 1.1 billion) in total assets under management and employed 175 staff members.¹

Sparbanken Syd has developed the Sparbanken Syd Green Bond Framework dated March 2025 (the "Framework") under which it intends to issue green senior unsecured medium-term notes and subordinated bonds, such as Tier 2 bonds.² Sparbanken Syd will use the proceeds to finance or refinance, in whole or in part, existing or future projects intended to advance the transition to a low-carbon economy in Sweden.

The Framework defines eligibility criteria in the following six areas:

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Clean Transportation
5. Environmentally Sustainable Management of Living Natural Resources and Land Use
6. Waste Management and Circular Economy

Sparbanken Syd engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).³ The Framework will be published in a separate document.⁴

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁵ opinion on alignment of the Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.18, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Sparbanken Syd to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Sparbanken Syd representatives have confirmed that: (1) they understand it is the sole responsibility of Sparbanken Syd to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with it.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Sparbanken Syd.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides no guarantee of alignment nor warrants any alignment with future versions of relevant market

¹ Sparbanken Syd, "Hållbarhetsrapport 2023", at:

https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf

² Sparbanken Syd has communicated to Sustainalytics that Tier 2 issuances will be debt issuances and will exclude equity issuances.

³ The Green Bond Principles are administered by the International Capital Market Association and are available at:

<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

⁴ The Sparbanken Syd Green Bond Framework will be available on Sparbanken Syd's website at: <https://www.sparbankensyd.se/om-oss/om-sparbanken-syd/finansuell-information/upplaningsprogram>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Sparbanken Syd has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sparbanken Syd Green Bond Framework

Sustainalytics is of the opinion that the Sparbanken Syd Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings; Energy Efficiency; Renewable Energy; Clean Transportation; Environmentally Sustainable Management of Living Natural Resources and Land Use; and Waste Management and Circular Economy – are aligned with those recognized by the GBP.
 - Under the Green Buildings category, Sparbanken Syd may finance or refinance loans for the construction, acquisition, ownership, renovation and upgrades of new and existing residential and commercial buildings located in Sweden in accordance with the following criteria:
 - Buildings built after 31 December 2020 that meet one of the following criteria:
 - Primary energy demand (PED) at least 10% lower than the threshold set for nearly zero-energy buildings (NZEB) according to national building regulations.
 - Energy performance certificate (EPC) A or B.
 - Buildings with EPC C and certified or expected to be certified to the following minimum certification levels: i) Nordic Swan Ecolabel;⁶ ii) Miljöbyggnad Silver;⁷ iii) Passive House;⁸ iv) LEED Gold;⁹ v) BREEAM Excellent;¹⁰ or similar certification.
 - Sparbanken Syd has confirmed to Sustainalytics that financing will be limited to buildings with PED at least 10% lower than the threshold set for the applicable NZEB.
 - Sustainalytics notes that the Framework allows for the use of other certifications with equivalent energy efficiency requirements. Sustainalytics encourages the Bank to report on any specific certifications and schemes it intends to use, as market practice is to specify all eligible certifications and schemes. Sparbanken Syd has communicated to Sustainalytics that it intends to disclose all selected certification schemes as part of its annual impact reporting to investors.
 - Buildings built on or before 31 December 2020 that meet one of the following criteria:
 - EPC A or B.
 - In the top 15% of the national or regional building stock in terms of PED, demonstrated by the Swedish Property Federation's¹¹ study or a relevant external benchmark using the classification issued by a national government body or an industry specialist.

⁶ Nordic Swan Ecolabel: <https://www.nordic-swan-ecolabel.org/official-nordic-ecolabel/>

⁷ Miljöbyggnad: <https://www.sgbc.se/certifiering/miljobyggnad/>

⁸ Passive House: https://passivehouse.com/03_certification/02_certification_buildings/01_benefits-of-certification/01_benefits-of-certification.htm

⁹ LEED: <https://www.usgbc.org/leed>

¹⁰ BREEAM: <https://breeam.com/standards/new-construction>

¹¹ Swedish Property Federation: <https://www.fastighetsagarna.se/om-oss/we-are-the-swedish-property-federation/>

- Buildings with EPC C and certified or expected to be certified to the following minimum certification levels: i) Miljöbyggnad Silver; ii) Miljöbyggnad iDrift Silver;¹² iii) Nordic Swan Ecolabel; iv) Passive House; v) LEED Gold; vi) BREEAM Excellent; vii) BREEAM In-Use Excellent or similar certification.
 - Sparbanken Syd has confirmed to Sustainalytics that financing will be limited to buildings with PED at least 10% lower than the threshold set for the applicable NZEB.
 - Sustainalytics notes that the Framework allows for the inclusion of other certifications with equivalent energy efficiency requirements. Sustainalytics encourages the Bank to report on any specific certifications and schemes it intends to use, as market practice is to specify all eligible certifications and schemes. Sparbanken Syd has communicated to Sustainalytics that it intends to disclose all selected certification schemes in its impact reporting to investors.
- Building renovations that lead to at least a 30% reduction in PED compared to pre-renovation levels. Sparbanken Syd has confirmed to Sustainalytics that: i) the improvements in PED will be achieved within a maximum of three years and will be validated through an EPC after the renovation is completed; and ii) the investments will be limited to renovation expenditures and that the asset value of the entire building will not be financed.
- Sparbanken Syd has further confirmed that financing under the Framework will exclude the development and acquisition of industrial facilities intended for controversial activities with harmful social or environmental impacts, as well as buildings designed for the extraction, storage, transportation or manufacture of fossil fuels.
- Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Energy Efficiency category, Sparbanken Syd may finance or refinance loans for the following projects:
 - Installation, maintenance and repair of energy-efficient equipment, such as high-efficiency windows and doors with low U-value, insulation products with low thermal conductivity, green and cool roofing systems, LED lighting, daylight controls and smart lighting solutions.
 - Installation, maintenance and replacement of heating, ventilation and cooling systems, as well as building energy management systems, which include smart sensors for real-time monitoring and control of energy usage, and advanced analytics with artificial intelligence models to predict energy usage patterns and optimize energy consumption in buildings.
 - Sparbanken Syd has confirmed to Sustainalytics that it may finance both electric heat pumps and absorption heat pumps with refrigerants having a global warming potential (GWP) below 675, which is in line with the EU Taxonomy, and from 2027 onwards, the Bank will comply with the new regulation as part of the REPower EU Action Plan, which sets the GWP limit at 150.¹³ The Bank has further confirmed that such projects will be accompanied by a robust refrigerant leak control, detection and monitoring system ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
 - District heating and cooling generation systems and distribution network infrastructure. Sparbanken Syd has confirmed to Sustainalytics that eligible projects related to district heating and cooling will be limited to: i) distribution networks powered by more than 50% renewables, waste heat or a combination of both; and ii) heat and cooling generation systems that are powered by 100% renewable energy or industrial waste heat (excluding waste heat from fossil fuel production and operations); or are directly connected to the grid or to municipal solid waste incineration plants where the majority of recyclables are segregated before energy conversion.
 - For energy generated from municipal solid waste, Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy (i.e. waste prevention and recycling). Additionally, the composition of residual waste, particularly fossil carbon

¹² Miljöbyggnad iDrift: <https://www.sgbc.se/certifiering/miljobyggnad-idrift/>

¹³ European Commission, "Refrigeration", at: https://climate.ec.europa.eu/eu-action/fluorinated-greenhouse-gases/climate-friendly-alternatives-f-gases/refrigeration_en#:~:text=From%201%20January%202022%2C%20HFCs,150%20or%20more%20are%20prohibited.

- content, is a crucial consideration for such projects to have low emissions intensities. Nonetheless, energy from waste can offer a better residual waste management option than landfills in many cases due to constraints on recycling in many parts of the world. Sustainalytics recommends Sparbanken Syd to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
- Installation of cogeneration plants that generate electricity and provide heating and cooling for buildings. Sparbanken Syd has communicated to Sustainalytics that such projects will be limited to those that are powered by: i) concentrated solar power, solar thermal or biomass waste; ii) geothermal energy or bioenergy with life cycle emissions below 100 gCO₂e/kWh; or iii) the incineration of municipal solid waste, where most recyclables are segregated before energy conversion.
 - Sparbanken Syd has confirmed that expenditures under this category will exclude equipment and technologies: i) driven or powered by coal, oil, gas or other fossil fuels; or ii) designed or intended for processes that are inherently carbon-intensive, such as those in heavy industries.
 - Sustainalytics views the investments under this category to be aligned with market practice.
- Under the Renewable Energy category, Sparbanken Syd may finance or refinance loans for the following projects:
- Onshore and offshore wind generation facilities. Sparbanken Syd has confirmed to Sustainalytics that the fossil fuel back-up of the offshore wind facilities is limited to power monitoring, operating and maintenance equipment, as well as resilience or protection measures and restart capabilities.
 - Solar photovoltaic and CSP technology where at least 85% of the electricity is generated from solar energy.
 - The production of biomass, biogas and biofuels using waste feedstocks derived from agricultural and forestry residues.
 - Electricity storage, including batteries. Sparbanken Syd has confirmed that the storage systems are either directly connected to renewable sources or to a grid meeting one of the criteria specified in the EU Taxonomy: i) the systems are connected to the interconnected European system;¹⁴ ii) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period; or iii) the average system grid emissions factor¹⁵ is below the threshold value of 100 gCO₂e/kWh, measured on a life cycle basis in accordance with electricity generation criteria over a rolling five-year period.
 - Sustainalytics views the investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Sparbanken Syd may finance or refinance loans for the acquisition of zero-emissions vehicles and supporting infrastructure, including:
- Zero direct emissions road transport powered by electricity or hydrogen, including: i) private passenger cars; ii) public passenger transport, such as buses, trams and trolleybuses; iii) light commercial vehicles; and iv) heavy trucks.
 - The Bank has confirmed to Sustainalytics that vehicles used to transport fossil fuels or fossil fuels blended with alternative fuels will be excluded.
 - Infrastructure for non-motorized mobility, such as bicycle lanes and parking facilities, footpaths for pedestrian traffic, and lighting for footpaths or cycle paths.
 - Infrastructure enabling low-carbon road transport, including electric charging and hydrogen refuelling stations. Sparbanken Syd has confirmed to Sustainalytics that expenditures related to the construction of parking facilities and roads will be excluded.
 - Sustainalytics views the expenditures under this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Sparbanken Syd may finance or refinance loans for organic farming units for

¹⁴ Sparbanken Syd has communicated to Sustainalytics that the electricity storage systems will be directly connected to the grid in Sweden which had an emission factor of 41 gCO₂e/kWh in 2023. Statista, "Carbon intensity of the power sector in Sweden from 2000 to 2023", (2024), at: <https://www.statista.com/statistics/1290491/carbon-intensity-power-sector-sweden/>

¹⁵ The average system grid emissions factor is calculated as the total annual emissions from power generation connected to the system divided by the total annual net electricity production in that system.

crop production, certified with the KRAV label¹⁶, EU Organic or other similar certifications that comply with the Swedish or EU legislation.¹⁷ Sustainalytics has assessed the KRAV label and EU Organic and views them as credible. Sustainalytics notes that it is market practice to provide transparency on all intended schemes and encourages the Bank to provide further disclosure on the selected certification schemes prior to the issuance. Sparbanken Syd has communicated to Sustainalytics that it intends to disclose all selected certification schemes in its impact reporting to investors.

- Sparbanken Syd has confirmed to Sustainalytics that eligible projects under this category may include investments in protected agriculture, such as vertical farming and greenhouses powered by electricity¹⁸ with an average carbon intensity well below 100 gCO₂e/kWh. Sustainalytics recognizes the environmental benefits associated with vertical farming as compared to conventional farming, including reductions in water and resources inputs, however Sustainalytics notes that such farming methods are substantially more energy intensive. To address this concern, the Bank has confirmed to Sustainalytics that vertical farming projects will be supported by energy efficiency measures, such as automatic lighting and temperature control systems that minimize energy consumption.
- Sustainalytics views the expenditures under this category to be aligned with market practice.
- Under the Waste Management and Circular Economy category, Sparbanken Syd may finance or refinance loans related to the following projects:
 - Development of waste collection, sorting and recycling facilities, services and related infrastructure, including garden containers and recycling bins, to support waste segregation at source.
 - Investments in facilities, machines and supporting infrastructure aimed at enhancing waste recycling processes to increase the proportion of products and materials that can be reused or recycled. Examples of such projects include: i) material recovery facilities that sort and process recyclable materials from mixed waste streams; ii) advanced sorting technologies, including light-based sensors, optical sorting machines, magnets and air classifiers to identify and separate different types of materials, such as plastics, paper and metal; and iii) closed loop material recovery systems using 100% recycled or reused raw materials in new products. Examples of eligible closed loop projects may include facilities dedicated to processing fully recyclable and reusable packaging materials, such as frame trays for the automotive industry.
 - The Bank has confirmed that: i) chemical recycling of plastics will be excluded; ii) waste collection vehicles will be limited to zero emissions vehicles; iii) the recycling of electronic waste will be excluded; and iv) plastics and metals and other recyclables will be segregated from the feedstock for waste-to-energy projects and the waste will be reused and recycled to the greatest extent feasible before being converted to energy.¹⁹
 - For waste-to-energy projects from municipal solid waste, Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy (i.e. waste prevention and recycling). Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Sparbanken Syd to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Sustainalytics considers the expenditures under this category to be aligned with market practice.

¹⁶ KRAV: <https://www.krav.se/en/standards/>

¹⁷ EU Organic: https://agriculture.ec.europa.eu/farming/organic-farming/organic-logo_en

¹⁸ Sparbanken Syd has communicated to Sustainalytics that such protected agriculture projects will be directly connected to the grid in Sweden which had an emission factor of 41 gCO₂e/kWh in 2023. Statista, "Carbon intensity of the power sector in Sweden from 2000 to 2023", (2024), at: <https://www.statista.com/statistics/1290491/carbon-intensity-power-sector-sweden/>

¹⁹ Sparbanken Syd has communicated to Sustainalytics that in Sweden a significant portion of the waste is pre-sorted upon arrival at the facility, as both municipalities and residents are required to separate waste into designated containers or at the point of waste disposal.

- Sustainability notes that the Framework excludes financing of assets or projects for fossil energy production, nuclear energy generation, gambling or tobacco.
- Project Evaluation and Selection:
 - Sparbanken Syd's Green Bond Committee is responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee meets on a regular basis and consists of representatives from the Finance, Credit and Sustainability departments.
 - Regarding environmental and social risks associated with eligible projects, all potential eligible projects must undergo the Bank's sustainability analysis which includes questions about human rights, the environment, climate change and corruption. In addition, all corporate loans above SEK 2 million (EUR 174,194.70) must undergo a more extensive ESG assessment. Sustainability considers these environmental and social risk management systems to be adequate. For additional detail, please refer to Section 2.
 - Based on the established process for project evaluation and selection and the presence of a risk management system, Sustainability considers this process to be in line with market practice.
- Management of Proceeds:
 - Sparbanken Syd's Finance and Treasury department will be responsible for the management of proceeds and will track their allocation in a green register using a portfolio approach. The Finance and Treasury department monitors the green register on a regular basis to ensure that there is sufficient volume of eligible green loans.
 - The Bank commits to allocate all the proceeds within 12 months from the issuance date of each green bond. Pending full allocation, unallocated proceeds will be held in the Bank's liquidity reserve in accordance with the Bank's exclusions list.
 - Based on the use of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainability considers this process to be in line with market practice.
- Reporting:
 - Sparbanken Syd will report on the allocation of proceeds and corresponding impacts annually in an investor report, which will be published on its website until full allocation and for as long as green bonds remain outstanding.
 - Allocation reporting will include the amount of green bonds outstanding, the share of proceeds used for new financing versus refinancing, an allocation breakdown for each eligible category, and examples of eligible green loans funded with proceeds from the green bonds issued under the Framework.
 - Impact reporting may include relevant impact indicators per category, such as the annual GHG emissions reduced or avoided (in tonnes of CO₂), renewable energy generated (in MWh/year) and number of fossil-free vehicles deployed.
 - Sparbanken Syd will obtain limited assurance on allocation of the proceeds and impact report from a third party until full allocation and in the event of any material developments.
 - Based on the commitments to allocation and impact reporting, Sustainability considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainability has determined that the Sparbanken Syd Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of Sparbanken Syd

Contribution to Sparbanken Syd's sustainability strategy

Sparbanken Syd integrates sustainability into its lending operations by offering sustainable product offerings for retail and corporate customers.²⁰

For retail customers, Sparbanken Syd offers a 10 bps discount on mortgages dedicated to energy efficient properties certified by green building standards, such as the Nordic Swan Ecolabel or EPC A or B.²¹ In addition, the Bank offers loans with beneficial terms for installing solar panels, purchasing electric vehicles and acquiring related charging infrastructure.^{22,23} For corporate customers, the Bank offers

²⁰ Sparbanken Syd, "Hållbarhetsrapport 2023", at:

https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf

²¹ Sparbanken Syd, "Grönt bolån", at: <https://www.sparbankensyd.se/privat/bolan/gront-bolan>

²² Sparbanken Syd, "Solcellslån", at: <https://www.sparbankensyd.se/privat/privatlan/solcellslan>

²³ Sparbanken Syd, "Hållbarhetsrapport 2023", at:

https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf

beneficial loan terms for financing green buildings that have achieved or are expected to achieve a green building certification, such as the Nordic Swan Ecolabel, Miljöbyggnad, EPC A or B.

As a founding member of Tillväxt Syd,²⁴ an entrepreneurial network in the Skåne region, Sparbanken Syd actively supports local SMEs in achieving their ESG targets by analysing their ESG status, identifying challenges and achievements in their ESG performance and providing guidance for implementing sustainable business practices. In addition, the Bank prioritizes recommending sustainable investment alternatives in its advisory services.²⁵ Furthermore, Sparbanken Syd's Farm Business vertical supports farmers by offering advisory services on sustainability trends and strategy development. The Bank helps farmers evaluate their sustainability practices, improve productivity and reduce their climate impacts.²⁶

Sparbanken reported that as of 2023, 79% of the Bank's savings funds complied with Article 8 and 13% of with Article 9 of the Sustainability-related disclosure in the financial services sector.²⁷ Looking ahead, Sparbanken Syd aims to increase its investments in Article 9 funds and add thematic funds to its sustainability offerings.²⁸

Sustainalytics is of the opinion that the Sparbanken Syd Green Bond Framework is aligned with the Bank's overall sustainability efforts and will further the Bank's action on its key environmental priorities. Sustainalytics further notes that Sparbanken Syd is in the process of developing a formalized sustainability strategy and decarbonization targets. Sustainalytics encourages the Bank to publicly disclose its sustainability strategy and report on its progress on its goals.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that the Bank plays a limited role in the development or implementation of specific projects, but notes that it is exposed to risks associated with companies or projects to which it provides lending and financial services. Some key environmental and social risks associated with the eligible projects may include issues involving: i) land use and biodiversity issues associated with construction; ii) emissions, effluents and waste generated in construction; iii) occupational health and safety (OHS); iv) community relations and stakeholder participation; and v) business ethics and responsible lending.

Sustainalytics is of the opinion that Sparbanken Syd is able to manage or mitigate potential risks through implementation of the following:

- Sparbanken Syd conducts an ESG risk screening as part of its credit approval process for corporates. This includes an assessment of various ESG topics, such as environmental impacts, transition risks, human rights and corruption.²⁹ For companies or projects with increased ESG risks, Sparbanken Syd requires potential investees to provide a sustainability strategy that outlines the operations' relevance and continuity for the future.³⁰
- Regarding risks related to land use and biodiversity loss, Directive 2014/52/EU³¹ requires projects financed in EU countries and that have potentially significant environmental impacts to undergo an evaluation prior to approval. The directive also requires such projects to have appropriate measures to avoid, prevent, reduce and, where possible, offset significant adverse environmental effects, with a specific focus on protecting species and habitats. For land-intensive projects, the directive mandates an environmental impact assessment (EIA) to identify, describe and assess land-related impacts. In addition, large scale projects must limit their effects on land and soil, including organic matter, erosion, compaction and sealing.³² Additionally, the EU Habitats Directive and Birds Directive, which are part of the EU Biodiversity Strategy for 2030, require projects in the EU to support the conservation of biodiversity, particularly threatened and endemic species.^{33,34}

²⁴ Tillväxt Syd, "Tillväxt syd är ett starkt nätverk för företagare i Skåne", at: <https://www.tillvaxtsyd.se/>

²⁵ Sparbanken Syd, "Instruktion för Investeringsstjänster", (2024), shared with Sustainalytics confidentially.

²⁶ Sparbanken Syd, "Hållbarhetsrapport 2023", at:

https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf.

²⁷ European Parliament, "Regulation (EU) 2019/2088", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02019R2088-20240109&qid=1734359516515>

²⁸ Sparbanken Syd, "Hållbarhetsrapport 2023", at:

https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf.

²⁹ Sparbanken Syd, "Kreditinstruktion", (2024), shared with Sustainalytics confidentially.

³⁰ Ibid.

³¹ European Parliament, "Directive 2014/52/EU of the European Parliament and of the Council", (2014), at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=celex%3A32014L0052>

³² Ibid.

³³ European Commission, "Biodiversity strategy for 2030", at: https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en

³⁴ European Parliament, "Directive 2009/147/EC of the European Parliament and of the Council", (2009), at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX%3A02009L0147-20190626>

- Regarding emissions, effluents and waste generated in construction, Directive 2008/98/EC³⁵ requires companies in the EU to manage their construction and demolition waste without causing harm to human health or the environment. Additionally, the Swedish Environmental Code³⁶ establishes general guidelines for reusing, recycling, transportation and management of waste. In addition, Avfallsförordning (2020:614)³⁷ requires construction projects to sort out wood, minerals containing concrete, brick, clinker, ceramics or stone, metal, glass, plastic and gypsum from the construction waste. It also requires producers to collect and process any hazardous waste separately.
- With respect to occupational health and safety, the Swedish Work Environment Act establishes guidelines to prevent occupational health issues and workplace accidents.³⁸ It requires employers to implement necessary measures to prevent and manage occupational risks. These measures include the provision of satisfactory working conditions, safe tools and technical equipment, adequate instructions and training, and access to occupational health services, among other health and safety provisions. In addition, the Swedish Working Hours Act sets standards for weekly working hours, overtime and on-call time.³⁹ In addition, Sparbanken Syd encourages its investees, to the best extent possible based on the size and type of operations, to implement measures to prevent discrimination and increase gender equality within their boards, in alignment with the Swedish Code of Corporate Governance.⁴⁰ The Bank also encourages its investees to adhere to international standards, including the UN Global Compact,⁴¹ the UN Declaration of Human Rights⁴² and the International Labour Organization's principles.⁴³
- To mitigate risks related to community relations, the Bank's ESG risk management process includes evaluating the stakeholder management practices of potential investees, with a focus on the engagement and dialogue with the communities in which they operate. Additionally, for development projects, the Swedish Environmental Code⁴⁴ requires that an environmental impact statement be made publicly available, allowing the public to review and provide feedback. Similarly, the Planning and Building Act sets out guidelines for public participation in physical planning to ensure that all stakeholders can share their views.⁴⁵ The Bank also collaborates with the Swedish Civil Contingencies Agency to increase community resilience to climate-related risks.^{46,47}
- Regarding business ethics, Sparbanken Syd's Ethics Policy outlines the Bank's processes to prevent, detect, manage and report unethical business practices, including money laundering and terrorism financing, tax evasion, conflicts of interest, gifts, insider trading and information security and privacy issues.⁴⁸ Sparbanken Syd has an anonymous whistleblower tool available to the Bank's employees.⁴⁹
- Sustainability notes that the eligible projects will be located in Sweden, which is recognized as a Designated Country under the Equator Principles,⁵⁰ indicating the presence of robust environmental and social governance systems, legislation and institutional capacity to protect the environment and communities, including stakeholder engagement.

Based on these policies, standards and assessments, Sustainability is of the opinion that Sparbanken Syd has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

³⁵ European Commission, "Directive 2008/98/EC on waste", (2008), at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/HTML/?uri=CELEX:32008L0098&from=EN>

³⁶ Government Offices of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

³⁷ Sveriges Riksdag, "Avfallsförordning (2020:614)", at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/avfallsforordning-2020614_sfs-2020-614/

³⁸ Government Offices of Sweden, "Work Environment Act 1977:1160 and 2014:659", at: <https://www.government.se/government-policy/labour-law-and-work-environment/19771160-work-environment-act-arbetsmiljolagen/>

³⁹ Government Offices of Sweden, "Working Hours Act 1982:673 and 2013:611", at: <https://www.government.se/government-policy/labour-law-and-work-environment/1982673-working-hours-act-arbetstidslagen/>

⁴⁰ Kollegiet för Svensk Bolagsstyrning, "Svensk kod för bolagsstyrning", (2024), at: https://www.bolagsstyrning.se/Userfiles/Koden/Dokument/svensk_kod_for_bolagsstyrning_gallande_fran_1_januari_2024.pdf

⁴¹ United Nations, "United Nations Global Compact", at: <https://unglobalcompact.org/>

⁴² United Nations, "universal Declaration of Human Rights", at: <https://www.un.org/en/about-us/universal-declaration-of-human-rights>

⁴³ ILO, "ILO Conventions", at: <https://www.ilo.org/resource/ilo-conventions>

⁴⁴ Government Offices of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

⁴⁵ Sveriges Riksdag, "Plan- och bygglag", (2024), at: https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/planoch-bygglag-2010900_sfs-2010-900/

⁴⁶ Sparbanken Syd, "Hållbarhetsrapport 2023", at: https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Spb_Syd_Haallbarhetsrapport_2023_LOW.pdf

⁴⁷ MSB, "MSB – Myndigheten för samhällsskydd och beredskap", at: <https://www.msb.se/>

⁴⁸ Sparbanken Syd, "Etikpolicy", (2022), at: https://www.sparbankensyd.se/fileadmin/user_upload/dokument/Om_banken/H%C3%A5llbarhet/Etikpolicy.pdf

⁴⁹ Ibid.

⁵⁰ Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of financing green buildings in Sweden

The buildings sector accounted for 22% of Sweden’s total GHG emissions and 34% of its final energy consumption in 2024.⁵¹ Sweden aims to reduce its total GHG emissions by 59% by 2030 compared to a 2005 baseline and to achieve a net zero carbon economy by 2045.⁵² As part of its decarbonization efforts in the buildings sector, and in alignment with the requirements of the Energy Performance of Buildings Directive (EPBD), the Swedish National Board of Housing, Building and Planning (Boverket) has established primary energy consumption limits of 75 kWh/m² for apartment buildings and 80 kWh/m² for non-residential buildings.⁵³ Additionally, since 2022, Sweden’s Act on Climate Declarations for New Buildings requires developers to submit a climate declaration during the construction phase. This declaration must include key climate impact indicators, such as GHG emissions per gross floor area, operational energy use, and waste management practices.⁵⁴

Starting in January 2027, Boverket plans to expand the scope of climate declarations to cover the full life cycle of buildings.⁵⁵ This expansion will also mandate reporting on climate impacts associated with groundworks and ground improvements.⁵⁶

Based on the above, Sustainalytics is of the opinion that Sparbanken Syd’s financing of green buildings is expected to contribute to the decarbonization of the building stock in Sweden and support the country’s climate goals.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Sparbanken Syd Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Clean Transportation	11. Sustainable Cities and Communities	11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Environmentally Sustainable Management of Living Natural	12. Responsible Production and Consumption	12.2 By 2030, achieve the sustainable management and efficient use of natural resources

⁵¹ Boverket, “Miljöindikatorer – aktuell status”, (2024), at: <https://www.boverket.se/sv/byggande/hallbart-byggande-och-forvaltning/miljoindikatorer--aktuell-status/>

⁵² International Energy Agency, “Sweden”, at: <https://www.iea.org/countries/sweden>

⁵³ Government Offices of Sweden, “Sweden’s updated National Energy and Climate Plan 2021-2030”, at: https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb_en?filename=SE_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf

⁵⁴ Boverket, “Climate declaration for new buildings”, (2023), at: <https://www.boverket.se/en/start/building-in-sweden/developer/rfq-documentation/climate-declaration/>

⁵⁵ Boverket, “Limit values for climate impact from buildings”, (2023), at: <https://www.boverket.se/globalassets/engelska/limit-values-for-climateimpact-from-buildings-and-an-expanded-climate-declaration.pdf>

⁵⁶ Ibid.

Resources and Land Use		
Waste Management and Circular Economy	12. Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

Conclusion

Sparbanken Syd has developed the Sparbanken Syd Green Bond Framework under which it may issue green senior unsecured medium-term notes and subordinated bonds, including Tier 2 bonds, and use the proceeds to finance or refinance projects in Sweden under the following categories: Green Buildings, Energy Efficiency, Renewable Energy, Clean Transportation, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Waste Management and Circular Economy. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Sparbanken Syd Green Bond Framework is aligned with the Bank's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics considers that Sparbanken Syd has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Sparbanken Syd is well positioned to issue green bonds and that the Sparbanken Syd Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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