

# Second-Party Opinion

## Sparbanken Sjuhärads Green Funding Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Sparbanken Sjuhärads Green Funding Framework is credible and impactful and aligns with 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, Renewable Energy, Energy Efficiency, Clean Transportation, and Environmentally Sustainable Management of Living Natural Resources and Land Use - are aligned with those recognized by both 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 15.



**PROJECT EVALUATION AND SELECTION** Sparbanken Sjuhärads Finance department and client executive teams are responsible for evaluating and selecting projects in line with the Frameworks eligibility criteria while the Green Bond Committee will oversee the selection process. All loans will undergo a credit risk analysis which incorporates environmental and social risk considerations. Furthermore, corporate loans will undergo an enhanced sustainability analysis to identify and mitigate related environmental and social risks. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Sparbanken Sjuhärads Finance department will manage proceeds through a green register on a portfolio basis, on behalf of the Green Bond Committee. Sparbanken Sjuhärads intends to allocate proceeds within 12 months of issuance on a best-effort basis. Pending full allocation, any unallocated proceeds will be retained in cash on the Bank's account. This is in line with market practice.



**REPORTING** Sparbanken Sjuhärads commits to report on allocation and impact on an annual basis in its Green Bond Impact Report, which will be made available on the Bank's website until full allocation or for as long as any bonds remain outstanding in case of any material developments. Sparbanken Sjuhärads will obtain external verification on the allocation of proceeds annually until full allocation and in the event of any material developments. Sustainalytics views Sparbanken Sjuhärads allocation and impact reporting as aligned with market practice.



**Evaluation date** February 10, 2025

**Issuer Location** Borås, Sweden

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## Introduction

Sparbanken Sjuhärad AB (Sparbanken Sjuhärad or the “Bank”) is a commercial bank that provides retail and corporate banking services, as well as advisory services, including savings, payments, pensions and insurance, risk management, asset management, international business, investments, financing and property services. Headquartered in Borås, Sweden, the Bank had a lending portfolio of SEK 24 billion (EUR 2.12 billion) and employed approximately 168 people as of December 2024.

Sparbanken Sjuhärad has developed the Sparbanken Sjuhärad Green Funding Framework dated February 2025 (the “Framework”), under which it intends to issue senior preferred bonds under different formats including public or private placements, and use the proceeds to finance or refinance, in whole or in part, loans<sup>1</sup> intended to support environmentally beneficial projects in Sweden. The Framework defines eligibility criteria in five areas:

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

Sparbanken Sjuhärad engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles 2021 (GBP).<sup>2</sup> The Framework will be published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed 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;
- 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 Sjuhärad 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 Sjuhärad representatives have confirmed that (1) they understand it is the sole responsibility of Sparbanken Sjuhärad to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) 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 that Framework.

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

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

<sup>1</sup> Loans include mortgages, disbursed term loans and construction loans (*byggnadskreditiv*).

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>3</sup> Sparbanken Sjuhärad Green Funding Framework is available at: <https://www.sparbankensjuharad.se/>

<sup>4</sup> 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.

projects but does not measure the actual impacts. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of proceeds 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, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Sparbanken Sjuhärad has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Sparbanken Sjuhärad Green Funding Framework

Sustainalytics is of the opinion that the Sparbanken Sjuhärad Green Funding Framework is credible, 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, Renewable Energy, Energy Efficiency, Clean Transportation, and Environmentally Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the GBP.
  - Sustainalytics notes that Sparbanken Sjuhärad uses a portfolio approach for managing the proceeds and has not defined a look-back period.
  - Under the Green Buildings category, the Bank may finance or refinance loans for construction, acquisition and renovation of new and existing residential and non-residential buildings. The Bank has confirmed to Sustainalytics that financing of buildings designed for the purpose of extraction, storage, transportation or production of fossil fuels will be excluded. Buildings must meet the following criteria:
    - New buildings with building applications filed after 31 December 2020 that meet one of the following criteria:
      - Primary energy demand (PED) at least 10% lower than the local requirements for nearly zero-energy buildings (NZEB). Additionally, subject to data availability, buildings larger than 5,000 m<sup>2</sup> in floor area will be required to undergo airtightness and thermal integrity testing upon completion, as well as a calculation of the building's life cycle global warming potential (GWP) resulting from the construction at each stage of the life cycle.
      - Energy performance certificate (EPC) rating A or B as defined by the EPC system in Sweden as of November 2024.
      - Buildings that achieve one of the following minimum certification levels: Miljöbyggnad Silver;<sup>5</sup> Nordic Swan Ecolabel;<sup>6</sup> Passive House;<sup>7</sup> LEED Gold;<sup>8</sup> BREEAM Excellent or BREEAM Very Good with minimum score of 70% in the energy category.<sup>9</sup>
      - Sustainalytics considers these expenditures to be aligned with market practice.
    - Existing buildings with building applications filed before 31 December 2020 that meet one of the following criteria:
      - EPC A or B, or in the top 15% of the national or regional building stock in terms of operational PED and demonstrated by adequate evidence.

<sup>5</sup> Miljöbyggnad: <https://www.sgbc.se/certifiering/miljobyggnad/>

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

<sup>7</sup> Passive House: [https://passivehouse.com/03\\_certification/02\\_certification\\_buildings/01\\_benefits-of-certification/01\\_benefits-of-certification.htm](https://passivehouse.com/03_certification/02_certification_buildings/01_benefits-of-certification/01_benefits-of-certification.htm)

<sup>8</sup> LEED: <https://www.usgbc.org/leed>

<sup>9</sup> BREEAM: <https://breeam.com/standards/new-construction>

- Buildings that meet the one of the following minimum certification levels: Miljöbyggnad Silver; Miljöbyggnad iDrift Silver;<sup>10</sup> Nordic Swan Ecolabel; Passive House; LEED Gold; or BREEAM or BREEAM In Use Excellent or Very Good with minimum score of 70% in the energy category.<sup>11</sup>
- Sustainalytics considers these expenditures to be aligned with market practice
- Major renovations that lead to primary energy savings of at least 30% within a maximum of three years and validated through an EPC upon completion of the renovation.
  - Sparbanken Sjuhärad has confirmed to Sustainalytics that the financing will be limited to renovation expenditures. This is in line with market practice.
- Installation, maintenance and repair of building energy efficiency technologies and equipment meeting the following criteria:
  - Energy efficiency equipment, including :
    - Addition of insulation to the building;
    - Energy-efficient windows, doors and light sources;
    - Heating, ventilation and air conditioning (HVAC) and water heating systems such as end user equipment for district heating. For district heating equipment, Sustainalytics encourages the Bank to transparently disclose the share of renewables in the power source.
    - Electric heat pumps that use refrigerants with global warming potential (GWP) below 675. Sparbanken Sjuhärad has confirmed that it follows the relevant EU and Swedish regulations regarding refrigerant management. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Sparbanken Sjuhärad to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
  - Instruments and devices for measuring, regulating and controlling the energy performance of buildings, including: i) zoned thermostats, smart thermostat systems and sensing equipment, such as motion and daylight control; ii) building automation and control systems, building energy management systems, lighting control systems and energy management; iii) smart meters for heating, cooling and electricity; and iv) façade and roofing elements with a solar shading or solar control function, including those that support the growing of vegetation.
  - The Framework excludes fossil fuel-powered related equipment and technologies, and equipment designed or intended for process in heavy industries that are inherently carbon intensive.
  - Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Renewable Energy category, the Bank may finance or refinance loans provided to the following projects:
  - Solar photovoltaic projects dedicated to electricity generation, cogeneration of heating, cooling and power.
  - Onshore wind electricity generation.
  - Bioenergy projects: i) electricity generation, heat and cool production, and co-generation of heat, cool and power from biomass, biogas or bioliquids; and ii) manufacturing of biogas and biofuels for use in transport and of bioliquids. The feedstock for the bioenergy projects must comply with Annex IX Part A of the EU Renewable Energy Directive (RED).<sup>12</sup> Sparbanken Sjuhärad has confirmed to Sustainalytics that:
    - Life cycle GHG emissions intensity of electricity and heat and cool generation will be below 100 gCO<sub>2</sub>/kWh.

<sup>10</sup> Miljöbyggnad iDrift: <https://www.sgbc.se/certifiering/miljobyggnad/>

<sup>11</sup> BREEAM In-use: <https://breeam.com/standards/in-use>

<sup>12</sup> European Union, "Directive (EU) 2018/2001", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02018L2001-20240716&qid=1738781777234>

- Life cycle GHG emissions for manufacture of biogas and biofuels for use in the transport and manufacture of bioliquids is at least 65% lower compared with the fossil fuel alternative.
- Sewage sludge from fossil fuel operations, animal manure from industrial-scale livestock operations and waste from non-Roundtable on Sustainable Palm Oil (RSPO)<sup>13</sup> certified palm oil operations will be excluded under the Framework. Sustainalytics notes that livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such livestock farming activities may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers that the use of residues from day-to-day operations of existing facilities for energy generation provides positive impacts in the short term.
- Algae related feedstock as defined in Annex IX Part A of the EU RED will not be financed under the Framework.
- Production of non-waste biomass does not take place on land with high biodiversity, nor on land with high amounts of carbon converted to biofuel feedstock production; a food security impact assessment (FSIA) will be conducted to demonstrate no competition with food sources.
  - Sustainalytics considers these expenditures to be aligned with market practice and encourages the Bank to report on the specific sources of feedstock used in electricity, heating and cooling generation facilities, and bioenergy production facilities, and to pursue third-party certifications to validate their sustainability credentials.
- Under the Energy Efficiency category, the Bank may finance or refinance loans for thermal and electric energy storage facilities according to the following criteria:
  - Sparbanken Sjuhärad has confirmed to Sustainalytics that energy storage facilities must connect to one of the following: i) renewable energy sources; ii) grids that support or integrate at least 90% renewable electricity; iii) grids integrating less than 90% renewable electricity, but whose share of renewables is expected to increase, in which case the Bank will pro-rate the financing according to the share of renewables integrated into the grid; iv) grids with more than 67% of newly enabled generation capacity not exceeding 100 gCO<sub>2</sub>e/kWh in emissions intensity over a rolling five-year period; or v) grids with an average emissions factor not exceeding 100 gCO<sub>2</sub>e/kWh over a rolling five-year period. Sustainalytics notes that the energy storage projects will be located in Sweden and that the emissions intensity of electricity generation in Sweden is lower than 100 gCO<sub>2</sub>e/kWh.<sup>14</sup>
  - Sparbanken Sjuhärad has confirmed to Sustainalytics that pumped hydro storage is excluded from financing under the Framework
  - Sustainalytics views these expenditures to be aligned with market practice.
- Under the Clean Transportation category, the Bank may finance or refinance loans for the acquisition and maintenance of transport and associated infrastructure according to the following criteria:
  - Public passenger road transport with zero direct emissions, such as electric buses.
  - Passenger cars, light and heavy commercial vehicles with zero direct emissions.
  - Construction equipment with zero direct emissions, such as forklifts, wheel loaders and tractors.
  - Infrastructure for vehicles with zero direct emissions, such as electric charging points. The Bank has confirmed that expenditures related to road infrastructure and parking facilities will be excluded under the Framework.
  - Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, the Bank may finance or refinance loans for the acquisition and ownership of forests

<sup>13</sup> Roundtable on Sustainable Palm Oil: <https://rspo.org/>

<sup>14</sup> The emissions intensity of electricity generation in Sweden was 8 gCO<sub>2</sub>e/kWh in 2023, 22 gCO<sub>2</sub>e/kWh in 2010, 17 gCO<sub>2</sub>e/kWh in 2000 and 10 gCO<sub>2</sub>e/kWh in 1990. European Environment Agency, "Greenhouse gas emission intensity of electricity generation in Europe", at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emission-intensity-of-1>

- certified by the Forest Stewardship Council (FSC)<sup>15</sup> or the Programme for the Endorsement of Forest Certification (PEFC).<sup>16</sup> Sustainalytics considers this expenditure to be aligned with market practice.
- The Framework excludes financing activities related to the following: i) nuclear energy generation; ii) weapons; iii) potentially environmentally negative resource extraction; iv) gambling; v) tobacco and vi) fossil fuel related equipment.
  - Project Evaluation and Selection:
    - The Finance department and client executive teams are responsible for identifying and screening eligible projects in line with the Framework's eligibility criteria and proposing them for consideration by the Green Bond Committee (GBC).
    - The GBC will oversee the selection process and approve proposed loans for inclusion in the Bank's green loan portfolio. The GBC consists of representatives from the Finance, Credit and Sustainability departments.
    - As part of its credit review process, the Bank will conduct a risk analysis for all loans which encompasses relevant environmental and social risks, as well as controlling for compliance with applicable laws, regulations and the Bank's internal policies and guidelines. Additionally, corporate loans will undergo an enhanced sustainability assessment to identify general and industry-specific ESG risks. For additional detail see Section 2.
    - Based on the presence of dedicated teams, an oversight committee for project evaluation and selection, and a risk management process, Sustainalytics considers this process to be in line with market practice.
  - Management of Proceeds:
    - Sparbanken Sjuhärads will manage proceeds through a green register on a portfolio basis.
    - The Bank's Finance department will be responsible for monitoring the proceeds on behalf of the GBC.
    - The Bank intends to allocate proceeds within 12 months from issuance on a best-effort basis. Pending full allocation, any unallocated proceeds will be retained as cash on the Bank's accounts.
    - Based on the use of a green register and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Sparbanken Sjuhärads commits to report on allocation and the corresponding impact on an annual basis in its Green Bond Impact Report, which will be made available on the Bank's website until full allocation or for as long as any bonds remain outstanding in case of any material developments.
    - Allocation reporting will include: amounts of outstanding green bonds; split between financing and refinancing; breakdown of allocated proceeds by category; description of eligible loans extended and share of any unallocated proceeds.
    - Impact reporting will include metrics such as: GHG emissions reduced or avoided (in tCO<sub>2</sub>e); estimated annual energy savings (in MWh); capacity of energy generation (in MW); capacity stored (in MW); number of zero emission vehicles financed; number of electric charging points installed; and FSC or PEFC certified area (in hectares).
    - Sparbanken Sjuhärads will obtain external verification on the allocation of proceeds annually until full allocation and in the event of any material developments.
    - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Guidelines 2021

Sustainalytics has determined that the Sparbanken Sjuhärads Green Funding Framework aligns with the four core components of the GBP.

<sup>15</sup> FSC: <https://fsc.org/en>

<sup>16</sup> PEFC: <https://www.pefc.org/>

## Section 2: Sustainability Strategy of Sparbanken Sjuhärad

### Contribution to Sparbanken Sjuhärad's sustainability strategy

Sparbanken Sjuhärad's sustainability policy integrates environmental, social, ethics and corporate governance considerations into its business operations and strategic development.<sup>17</sup>

The Bank aims to align both its lending activities and internal operations with the 1.5°C goal of the Paris Agreement. To achieve this target, the Bank offers green products, investment solutions and advisory services to support its customers' climate transition and direct capital toward environmentally sustainable projects. For retail customers, green products include green mortgages, green car loans and loans for constructing energy efficient buildings. For corporate customers, the Bank provides green building loans, energy efficiency loans, renewable energy loans (e.g. for solar panel installations), green car leasing and sustainable forestry management loans.<sup>18</sup> The Bank also supports community programmes by providing financial assistance to non-profit organizations for energy efficiency solutions and offering free energy consultations to private households to help reduce energy consumption and electricity costs.<sup>19</sup> Additionally, the Bank incorporates ESG considerations into investment decisions, with 100% of the mutual funds it offers having signed the UN Principles for Responsible Investment (UNPRI).<sup>20</sup> Furthermore, as of 2024, 100% of the electricity used in the Bank's own operations is sourced from renewable energy.<sup>21</sup>

In December 2023, the Bank signed a commitment with the Partnership for Carbon Accounting Financials (PCAF) to measure and report its operational and financed emissions in accordance with the GHG Protocol Standard.<sup>22</sup> By doing so, the Bank aims to decarbonize and align its portfolio with the Paris Climate Agreement.<sup>23</sup> Sparbanken Sjuhärad has communicated to Sustainalytics that it will publicly disclose its financed emissions within three years of signing the commitment letter.

Sustainalytics is of the opinion that the Sparbanken Sjuhärad Green Funding Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities. Nevertheless, Sustainalytics encourages Sparbanken Sjuhärad to establish quantitative, time-bound targets and regularly report on its progress as part of its annual disclosures.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) land use and biodiversity loss associated with large-scale infrastructure development; ii) emissions, effluents and waste generated during construction; iii) occupational health and safety (OHS); iv) business ethics; and v) predatory lending. Sustainalytics notes that Sparbanken Sjuhärad plays a limited role in the development of projects and the assets being financed, but it remains exposed to risks associated with projects it may finance by offering lending and financial services.

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

- Regarding environmental and social risks associated with lending practices, the Bank carries out a sustainability analysis for all borrowers as part of its credit review process.<sup>24</sup> Under this process, the Bank uses an ESG analysis tool based on the Sustainability Accounting Standards Boards' (SASB) Standards to identify and measure clients' exposure to material sustainability risks within their respective sectors. For corporate loans exceeding SEK 8 million (EUR 0.7 million), the Bank conducts an enhanced sustainability analysis to assess the clients' ESG risk exposure and their ability to manage these risks, using the results in the annual credit review process. For loans below SEK 8 million, a qualitative sustainability analysis is conducted to identify potential sustainability risks, considering factors such as risk identification methods, action plans, objectives and ongoing initiatives relevant to the risk analysis.

<sup>17</sup> Sparbanken Sjuhärad shared its Sustainability Policy with Sustainalytics confidentially.

<sup>18</sup> Sparbanken Sjuhärad Green Funding Framework at: <https://www.sparbankensjuharad.se/>

<sup>19</sup> Ibid.

<sup>20</sup> Sparbanken Sjuhärad, "Sustainability and our sustainability work", "Sustainability in numbers", at: <https://www.sparbankensjuharad.se/om-oss/hallbar-utveckling-hallbarhet.html>

<sup>21</sup> Sparbanken Sjuhärad Green Funding Framework, at: <https://www.sparbankensjuharad.se/>

<sup>22</sup> Ibid.

<sup>23</sup> Sparbanken Sjuhärad shared its PCAF Commitment Letter with Sustainalytics confidentially.

<sup>24</sup> Sparbanken Sjuhärad shared its 2024 Sustainability Analysis when Granting Credit with Sustainalytics confidentially.

- With regard to land use and biodiversity loss, projects financed in the EU are expected to comply with Directive 2014/52/EU, which requires projects with significant environmental impacts to have adequate environmental impact assessments prior to approval.<sup>25</sup> Regarding biodiversity protection, the directive requires measures to avoid, prevent, reduce and, where possible, offset significant adverse effects on the environment, in particular on species and habitats. For land-intensive projects, the directive requires projects to identify, describe and assess impacts related to land use.
- For the management of emissions, effluents and waste, financed projects are expected to comply with applicable EU guidelines and regulations, such as the EU Construction and Demolition Waste Protocol and Guidelines,<sup>26</sup> the EU Waste Framework Directive,<sup>27</sup> the Waste Electrical and Electronic Equipment Directive<sup>28</sup> and the European Waste Shipment Regulation.<sup>29</sup> These regulations aim to ensure that waste is managed without endangering human health or causing harm to the environment.<sup>30</sup>
- Regarding OHS, Sparbanken Sjuhärad requires its borrowers to comply with the Swedish Work Environment Act, which establishes requirements to prevent occupational health issues and accidents at the workplace.<sup>31</sup> The act requires employers to take all reasonable measures to ensure employees' safety and health in the workplace, including providing necessary training, information and resources to prevent work-related accidents and illnesses.
- Regarding community relations, Sparbanken Sjuhärad relies on the Swedish Building Code and building permits obtained by borrowers, which mandate public consultation processes, allowing the public to express opinions and concerns about proposed projects.<sup>32</sup> Additionally, the Swedish Environmental Code<sup>33</sup> requires that environmental impact statements be made publicly available, providing opportunities for public review and feedback.
- Regarding business ethics, Sparbanken Sjuhärad's Policy for Ethical Guidelines and Code of Conduct<sup>34</sup> provides guidance on preventing bribery and corruption, market manipulation and insider trading. It also outlines procedures for handling personal data and includes a whistleblowing mechanism for employees to report ethical violations. In addition, the Bank has a Policy for measures against Anti-Money Laundering and Terrorist Financing, which sets out know-your-customer (KYC) procedures as well as requirements for risk management, internal control and reporting.<sup>35</sup>
- To mitigate predatory lending risks, Sweden enforces regulations such as the Consumer Credit Act, which mandates clear disclosure of credit agreements, the right to withdraw, avoidance of misleading marketing and limits on interest rates.<sup>36</sup> Additionally, the Mortgage Business Act requires lenders and credit intermediaries to act fairly and transparently by taking into account consumers' rights and interests when providing mortgages.<sup>37</sup> Additionally, the Bank's Credit Strategy for Lending to the Public<sup>38</sup> covers client protection and predatory lending risks by promoting responsible lending practices and ensuring healthy debt levels to avoid disadvantageous financial situations. The Bank also provides advisory services such as legal and insurance solutions and case-by-case amortization relief for clients facing financial difficulty.

<sup>25</sup>European Parliament, "Directive 2014/52/EU", at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>26</sup> European Commission, "EU Construction and Demolition Waste Protocol and Guidelines", (2018), at:

[https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18\\_en](https://single-market-economy.ec.europa.eu/news/eu-construction-and-demolition-waste-protocol-2018-09-18_en)

<sup>27</sup> European Parliament, "Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008L0098>

<sup>28</sup> European Parliament, "Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE)", (2012), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012L0019>

<sup>29</sup> European Parliament, "Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste", at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32006R1013>

<sup>30</sup> European Commission, "Waste Framework Directive", at: [https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive\\_en](https://environment.ec.europa.eu/topics/waste-and-recycling/waste-framework-directive_en)

<sup>31</sup> Government of Sweden, "Work Environment Act", at:

<https://www.government.se/government-policy/labour-law-and-work-environment/19771160-work-environment-act-arbetsmiljolagen/>

<sup>32</sup> Boverket, "Legislation – Planning and Building Act", at:

<https://www.orkelljunga.se/download/18.6f23ce3e157b26e63c625f/1476344311984/Plan+och+bygglagen+p%C3%A5+engelska.pdf>

<sup>33</sup> Government Offices of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

<sup>34</sup> Sparbanken Sjuhärad shared its 2024 Policy for Ethical Guidelines and Code of Conduct with Sustainalytics confidentially.

<sup>35</sup> Sparbanken Sjuhärad shared its Policy on Anti-Money Laundering and Combating the Financing of Terrorism with Sustainalytics confidentially.

<sup>36</sup> Government of Sweden, "Konsumentkreditlag (2010:1846)", at: <https://rkrattsbaser.gov.se/sfst?bet=2010:1846>

<sup>37</sup> Government of Sweden, "Lag (2016:1024) om verksamhet med bostadskrediter", at: <https://rkrattsbaser.gov.se/sfst?bet=2016:1024>

<sup>38</sup> Sparbanken Sjuhärad shared its 2023 Credit Strategy for Lending to the Public with Sustainalytics confidentially.

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

### Section 3: Impact of Use of Proceeds

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

#### Impact of investing in green buildings in Sweden

Sweden has set a target to reduce emissions by 50% by 2030 compared to 2005,<sup>39</sup> and achieve net zero emissions by 2045.<sup>40</sup> Buildings accounted for 38% of primary energy demand and 18% of energy-related CO<sub>2</sub> emissions in Sweden in 2022.<sup>41</sup> Between 2005 and 2022, Sweden achieved a 68% reduction in GHG emissions from energy use in buildings, marking the most significant decline in emissions among EU countries in this period.<sup>42</sup>

In order to further decarbonize the building sector, Sweden has set the following objectives: i) achieve lower building stock energy use by 2030 compared to a 2020 baseline; ii) increase the share of buildings rated EPC A-C and reduce the share buildings in the EPC E-G category by 2030 versus a 2020 baseline; and iii) fossil fuels should account for maximum 1% of the energy used in buildings by 2030 and 0% by 2040.<sup>43,44</sup> To meet these goals, the Swedish government has implemented the following measures: i) limiting the energy consumption permitted in buildings based on their type and size;<sup>45,46</sup> ii) providing training programmes on low-energy buildings for stakeholders in the construction sector; and iii) promoting energy efficiency through financial support programmes.<sup>47,48</sup> The Swedish Act on Climate Declarations requires new building developers to obtain a climate declaration that includes reporting on climate impact indicators, such as GHG emissions per gross floor area, operational energy use and waste disposal.<sup>49</sup> Boverket, the Swedish National Board of Housing, Building and Planning, intends to expand the scope of the climate declaration to cover the entire life cycle of a building, beginning in January 2027.<sup>50</sup>

In view of the above, Sustainalytics considers that Sparbanken Sjuhärad's financing of green buildings is expected to contribute to the decarbonization of the building stock in Sweden and 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

<sup>39</sup> The target refers to sectors covered by the EU Effort Sharing Regulation, including the buildings sector. International Energy Association, "Energy Policy Review, Sweden 2024", (2024), at: <https://iea.blob.core.windows.net/assets/b80f421d-1e1c-4c73-bea4-acef5e60b3dd/Sweden2024.pdf>

<sup>40</sup> Sweden Ministry of Climate and Enterprise, "Sweden's updated National Energy and Climate Plan 2021-2030", (2024), at:

[https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb\\_en?filename=SE\\_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf](https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb_en?filename=SE_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf)

<sup>41</sup> International Energy Association, "Energy Policy Review, Sweden 2024", (2024), at:

<https://iea.blob.core.windows.net/assets/b80f421d-1e1c-4c73-bea4-acef5e60b3dd/Sweden2024.pdf>

<sup>42</sup> European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2024), at:

<https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-energy/greenhouse-gas-emissions-from-energy>

<sup>43</sup> Sweden Ministry of Climate and Enterprise, "Sweden's updated National Energy and Climate Plan 2021-2030", (2024), at:

[https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb\\_en?filename=SE\\_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf](https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb_en?filename=SE_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf)

<sup>44</sup> Government of Sweden, Ministry of Infrastructure, "Sweden's Third National Strategy for Energy Efficient Renovation", (2020), at:

[https://energy.ec.europa.eu/system/files/2020-05/se\\_2020\\_ltrs\\_official\\_translation\\_0.pdf](https://energy.ec.europa.eu/system/files/2020-05/se_2020_ltrs_official_translation_0.pdf)

<sup>45</sup> The following energy consumption limits apply: i) single-family houses: 90-100 kWh/m<sup>2</sup>; ii) multi-dwelling buildings: 75 kWh/m<sup>2</sup>; residential buildings: 70 kWh/m<sup>2</sup>.

<sup>46</sup> Sweden Ministry of Climate and Enterprise, "Sweden's updated National Energy and Climate Plan 2021-2030", (2024), at:

[https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb\\_en?filename=SE\\_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf](https://commission.europa.eu/document/download/26d2c93e-641d-489f-a160-a7052fde58bb_en?filename=SE_FINAL%20UPDATED%20NECP%202021-2030%20%28English%29.pdf)

<sup>47</sup> Government of Sweden, Ministry of Infrastructure, "Sweden's Third National Strategy for Energy Efficient Renovation", (2020), at:

[https://energy.ec.europa.eu/system/files/2020-05/se\\_2020\\_ltrs\\_official\\_translation\\_0.pdf](https://energy.ec.europa.eu/system/files/2020-05/se_2020_ltrs_official_translation_0.pdf)

<sup>48</sup> Boverket, "Boverket's mandatory provisions and general recommendations, BBR", (2018), at:

<https://www.boverket.se/globalassets/publikationer/dokument/2019/bbr-2011-6-tom-2018-4-english-2.pdf>

<sup>49</sup> Boverket, "Climate declaration for new buildings", (2023), at: <https://www.boverket.se/en/start/building-in-sweden/developer/rfqdocumentation/climate-declaration/>

<sup>50</sup> 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>

under the Sparbanken Sjuhärad Green Funding Framework are expected to help advance the following SDGs and targets:

<b>Use of Proceeds Category</b>	<b>SDG</b>	<b>SDG target</b>
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
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, 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 Resources and Land Use	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

## Conclusion

Sparbanken Sjuhärad has developed the Sparbanken Sjuhärad Green Funding Framework under which it intends to issue senior preferred bonds and use the proceeds to finance projects related to green buildings, renewable energy, energy efficiency, clean transportation, and environmentally sustainable management of living natural resources and land use. Sustainalytics considers that eligible projects are expected to provide positive environmental impacts.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Sparbanken Sjuhärad Green Funding Framework is aligned with the Sparbanken Sjuhärad's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7, 9, 11 and 15. Additionally, Sustainalytics considers that Sparbanken Sjuhärad 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 Sjuhärad is well positioned to issue senior preferred bonds and that the Sparbanken Sjuhärad Green Funding Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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