

# Second-Party Opinion

## Varbergs Sparbank

### Green Bond Framework



#### Evaluation Summary

Sustainalytics is of the opinion that the Varbergs Sparbank 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, Clean Transportation, Energy Efficiency, Renewable Energy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Climate Change Adaptation – 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, 13 and 15.



**PROJECT EVALUATION AND SELECTION** Varbergs Sparbank’s Green Bond Committee will select eligible projects from a list of potential projects identified by the Bank’s business units, based on the Framework criteria. Varbergs Sparbank has environmental and social risk management policies and processes which apply to all allocation decisions made under the Framework. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Varbergs Sparbank will manage proceeds through a green register on a portfolio basis, and the Bank’s finance department will be responsible for monitoring it. Varbergs Sparbank intends to allocate proceeds within 12 months from issuance. Pending full allocation, unallocated proceeds will be invested in sovereign bonds, municipal bonds or covered bonds in accordance with Varbergs Sparbank’s policy on liquidity reserves. This is in line with market practice.



**REPORTING** Varbergs Sparbank 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. Sustainalytics views Varbergs Sparbank’s allocation and impact reporting as aligned with market practice.

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**Evaluation date** September 16, 2024

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**Issuer Location** Varberg, Sweden

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#### Report Sections

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Introduction.....	2
Sustainalytics’ Opinion .....	3

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**For inquiries, contact the Sustainable Corporate Solutions project team:**

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**Titus Vilches (Amsterdam)**

Project Manager

[Titus.Vilches@morningstar.com](mailto:Titus.Vilches@morningstar.com)

(+31) 20 797 1563

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**Shreeya Garg (Amsterdam)**

Project Manager

[shreeya.garg@sustainalytics.com](mailto:shreeya.garg@sustainalytics.com)

(+31) 20 205 0067

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**Ayaka Okumura (Amsterdam)**

Project Support

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**Aifric ORaghallaigh (Amsterdam)**

Project Support

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**Kibii Sisulu (London)**

Client Relations

[susfinance.emea@sustainalytics.com](mailto:susfinance.emea@sustainalytics.com)

(+44) 20 3880 0193

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## Introduction

Varbergs Sparbank (“Varbergs Sparbank” or the “Bank”) is a local savings bank in the municipality of Varberg, Sweden providing financial services such as savings, lending, payments and insurance to retail, corporate and institutional customers. As of December 2023, the Bank has three branches in the municipality with a staff of 150 and a loan portfolio of SEK 14 billion (EUR 1.2 billion).

Varbergs Sparbank has developed the Varbergs Sparbank Green Bond Framework dated September 2024 (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects expected to deliver positive environmental impacts primarily in Varberg. The Framework defines eligibility criteria in six areas:

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

Varbergs Sparbank 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)<sup>1</sup>. The Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</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; 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 1.17, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Varbergs Sparbank’s management team 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. Varbergs Sparbank representatives have confirmed that: (1) they understand it is the sole responsibility of Varbergs Sparbank to ensure that the information provided is complete, accurate and up to date; (2) that 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 that Framework.

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

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

<sup>1</sup> 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/>.

<sup>2</sup> The Varbergs Sparbank Green Bond Framework is available at: <https://www.varbergssparbank.se/om-oss/ekonomisk-information/upplaningsprogram.html>

<sup>3</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.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds 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 Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan 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 Varbergs Sparbank has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Varbergs Sparbank Green Bond Framework

Sustainalytics is of the opinion that the Varbergs Sparbank Green Bond Framework is credible, impactful and aligned with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Clean Transportation, Energy Efficiency, Renewable Energy, Environmentally Sustainable Management of Living Natural Resources and Land Use, and Climate Change Adaptation – are aligned with those recognized by the GBP.
  - Under the Green Buildings category, Varbergs Sparbank may finance or refinance loans for new and existing residential and commercial buildings in accordance with the following criteria:
    - New residential and commercial buildings built after 31 December 2020 that comply with 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 buildings regulations.
      - Energy performance certificate (EPC) A or B.
      - Buildings with EPC C or above and certified to or expected to be certified to the following minimum certification levels: Miljöbyggnad Silver;<sup>4</sup> Nordic Swan Ecolabel;<sup>5</sup> Passive House;<sup>6</sup> LEED Gold;<sup>7</sup> or BREEAM Excellent.<sup>8</sup>
      - Subject to data availability, buildings larger than 5,000 m<sup>2</sup> in floor area are required to undergo testing for airtightness and thermal integrity 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.
    - Existing residential and commercial buildings built before 31 December 2020 that comply with one of the following criteria:
      - EPC A or B.
      - In the top 15% of the national or regional building stock expressed in operational PED and demonstrated by adequate evidence.
      - Buildings with EPC C or above and certified or expected to be certified to the following minimum certification levels: Miljöbyggnad Silver; Miljöbyggnad iDrift Silver;<sup>9</sup> Nordic Swan Ecolabel; Passive House; LEED Gold; or BREEAM Excellent or In-use Excellent.<sup>10</sup>
    - Major renovations that lead to primary energy savings of at least 30% within a maximum of three years and are validated through an EPC upon completion of the

<sup>4</sup> Miljöbyggnad: <https://www.sgbc.se/certifiering/miljobyggnad/>

<sup>5</sup> Nordic Swan Ecolabel: <https://www.nordic-swan-ecolabel.org/official-nordic-ecolabel/>

<sup>6</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>7</sup> LEED: <https://www.usgbc.org/leed>

<sup>8</sup> BREEAM: <https://breeam.com/standards/new-construction>

<sup>9</sup> Miljöbyggnad iDrift: <https://www.sgbc.se/certifiering/miljobyggnad/>

<sup>10</sup> BREEAM In-use: <https://breeam.com/standards/in-use>

- renovation. Varbergs Sparbank has confirmed to Sustainalytics that the financing will be limited to renovation expenditures deemed eligible under the Framework.
- Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Clean Transportation category, Varbergs Sparbank may finance or refinance loans for low-carbon passenger transportation and related infrastructure, including:
    - Zero direct emissions passenger cars, light commercial vehicles, and heavy commercial vehicles powered by electricity and hydrogen.
    - Infrastructure supporting clean transportation, including bicycle and pedestrian infrastructure, and electric charging points.<sup>11</sup>
    - Sustainalytics considers these expenditures to be aligned with market practice.
  - Under the Energy Efficiency category, Varbergs Sparbank may finance or refinance loans for the installation, maintenance and repair of energy efficiency technologies and systems, including:
    - Energy efficiency equipment, such as thermal envelope of buildings, energy-efficient windows, doors, light sources, heating, ventilation and air conditioning (HVAC) and water heating systems. Investments may also include energy-efficient equipment and technologies related to district heating and cooling distribution networks, and heat and cooling generation. Varbergs Sparbank has confirmed that eligible district heating and cooling related investments will be limited to: i) distribution networks powered by more than 50% renewables, such as biomass and industrial waste heat; and ii) heat and cooling generation, where generation is 100% from renewables or industrial waste heat. Varbergs Sparbank has confirmed to Sustainalytics that energy-efficient technologies designed or intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels are excluded under the Framework.
    - Instruments and devices for measuring, regulating and controlling energy performance of buildings, such as: smart thermostat systems and sensing equipment, including motion and day light control; building automation and control systems; smart meters for heating, cooling and electricity.
    - Renewable energy technologies used in buildings, including: i) solar panels; ii) electronic heat pumps; and iii) heat exchanger and recovery systems. Varbergs Sparbank has confirmed that the heat pumps financed under the Framework: i) do not use refrigerants with high global warming potential (GWP); and ii) will have a refrigerants management plan in place with measures to monitor and minimize leakages.
    - Sustainalytics considers the expenditures under this category to be aligned with market practice.
  - Under the Renewable Energy category, Varbergs Sparbank may finance or refinance the following projects for the generation and storage of renewable electricity:
    - Solar photovoltaic projects.
    - Onshore and offshore wind. Varbergs Sparbank has confirmed that fossil fuel back-up systems will be limited to power monitoring, operating and maintenance equipment as well as resilience or protection measures and restart capabilities.
    - Hydropower facilities that meet any of the following criteria: i) run-of-river plants without an artificial reservoir; or ii) power density above 5W/m<sup>2</sup>; or iii) life cycle GHG emissions lower than 100 gCO<sub>2</sub>e/kWh.
      - Sustainalytics notes that Varbergs Sparbank has defined the estimated reservoir emissions intensity threshold at below 100 gCO<sub>2</sub>e/kWh. However, considering the longevity of hydropower assets, newly constructed facilities effectively lock in energy generation for a very extended period, favouring lower thresholds for new facilities. Therefore, Sustainalytics encourages Varbergs Sparbank to favour projects with emission intensities below 50 gCO<sub>2</sub>e/kWh.
      - Sustainalytics notes that all new hydropower projects in Sweden must comply with the requirements set out in the Swedish Environmental Code.<sup>12</sup> The code requires that projects considered to have significant environmental impacts must conduct an environmental impact assessment (EIA) to ensure that there

<sup>11</sup> Varbergs Sparbank has confirmed to Sustainalytics that charging stations will exclude financing of parking facilities.

<sup>12</sup> Government of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

are no significant risks, negative impacts and controversies on water ecosystems, biodiversity and local communities. Furthermore, the code prohibits project development in protected areas and requires the implementation of continuous environmental monitoring and public consultation. The Bank has also confirmed that it will exclude new hydropower projects associated with significant controversies related to social risks.

- Facilities for the storage of renewable electricity, including batteries.
- Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, Varbergs Sparbank may finance or refinance the following projects:
  - Forestry projects certified by the Forest Stewardship Council (FSC)<sup>13</sup> or the Programme for the Endorsement of Forest Certified (PEFC).<sup>14</sup> These expenditures are aligned with market practice.
  - Organic farming activities certified with the KRAV label.<sup>15</sup> The Bank has disclosed that financed activities may include organic dairy production by farmers with established emissions reduction targets, and that industrial livestock production will be excluded from the Framework. Sustainalytics acknowledges that financing will be limited to farms that have established GHG emissions reduction targets, considering the importance of GHG emissions in evaluating farming activities, regardless of other benefits organic dairy production may have.
  - Sustainalytics encourages Varbergs Sparbank to assess the overall GHG emissions associated with dairy production and to report on the environmental impact of these activities.
- Under the Climate Adaptation category, the Bank may finance or refinance the following:
  - Projects that enhance the resilience of buildings and infrastructure against climate change, such as flood prevention projects. Sustainalytics notes that these projects will be supported by a vulnerability assessment identifying the relevant physical risks and an adaptation plan outlining the implementation of measures to address these risks.
  - Systems and technologies for monitoring and forecasting of climate conditions such as climate observation systems; and early warning, monitoring and reporting systems.
  - Sustainalytics considers these expenditures to be aligned with market practice.
- Sustainalytics notes that the Framework excludes financing for the following projects or activities: i) fossil fuel energy generation and related infrastructure; ii) nuclear energy generation; iii) weapons; iv) potentially environmentally negative resource extraction; v) gambling; and vi) tobacco. Sustainalytics views positively the presence of exclusionary criteria in the Framework.
- Project Evaluation and Selection:
  - The Green Bond Committee, consisting of representatives from the finance, credit and sustainability departments, will select eligible projects from projects shortlisted by the Bank's business units, based on the criteria outlined in the Framework.
  - As part of the Bank's credit process, all loans undergo a sustainability assessment for potential environmental and social risks, including those related to human rights, the environment, climate change and corruption. Additionally, Varbergs Sparbank has environmental and social risk management policies and processes that apply to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with the requirements of the GBP. For additional details, see Section 2.
  - Based on the presence of a dedicated committee for project evaluation and selection and a risk management process, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
  - Varbergs Sparbank 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 Green Bond Committee.

<sup>13</sup> FSC: <https://fsc.org/en>

<sup>14</sup> PEFC: <https://www.pefc.org/>

<sup>15</sup> KRAV: <https://www.krav.se/en/standards/>

- The Bank intends to allocate proceeds within 12 months from issuance on a best-effort basis. Pending full allocation, unallocated proceeds will be invested in sovereign bonds, municipal bonds or covered bonds in accordance with Varbergs Sparbank's policy on liquidity reserves.
- 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:
  - Varbergs Sparbank 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.<sup>16</sup>
  - Allocation reporting will include: amount of outstanding 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), energy savings (in MWh), energy generation (in MWh), KRAV certified area (in ha), FSC or PEFC certified area (in ha), reduction in flood damage costs (in SEK), reduction in changes in the nutrient or pH levels for agricultural soils and reduction in the number of wildfires or in the area damaged by wildfires (in km<sup>2</sup>).
  - Varbergs Sparbank will obtain limited assurance on allocation of the proceeds from a third party 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 the Green Bond Principles 2021

Sustainalytics has determined that the Varbergs Sparbank Green Bond Framework aligns with the four core components of the GBP.

## Section 2: Sustainability Strategy of Varbergs Sparbank

### Contribution to Varbergs Sparbank's sustainability strategy

Varbergs Sparbank is committed to integrating sustainability into its lending practices, focusing on three key areas: i) responsible advisory; ii) responsible lending; and iii) reduced climate impact.<sup>17</sup> The Bank develops an action plan annually with the objective of implementing new sustainability initiatives, particularly within the identified focal areas.<sup>18</sup>

Varbergs Sparbank supports its clients in making informed and sustainable financial decisions by providing them with detailed analyses of investment funds so that they meet the Bank's sustainability standards.<sup>19</sup> The fund analysis follows a three-step process: i) screening of fund management companies to ensure the presence of necessary policies and commitments, such as adherence to the UN Principles for Responsible Investment;<sup>20</sup> ii) conducting a detailed fund analysis, evaluating the management team's approach to ESG factors and checking fund holdings against the Bank's exclusionary criteria; and iii) assessing the alignment of each fund with the client's sustainability preferences to ensure that the investment options support their financial goals and ethical values.<sup>21</sup>

In addition, Varbergs Sparbank offers a range of green financial products with favourable terms to help clients reduce their environmental impact.<sup>22</sup> These include solar loans, low-emission car loans, green mortgages, energy loans, green construction loans, green property loans and green car leasing. For corporate clients, the Bank offers loans specifically designed for renewable energy investments, such as solar panels, and energy-efficient and sustainably certified buildings.<sup>23</sup> As of March 2024, green loans account for 7.8% of the Bank's

<sup>16</sup> Varbergs Sparbank: [www.varbergssparbank.se](http://www.varbergssparbank.se)

<sup>17</sup> Varbergs Sparbank, "Års- och Hållbarhetsredovisning 2023", at:

<https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE178565910>

<sup>18</sup> Ibid.

<sup>19</sup> Varbergs Sparbank, "Hållbarhetsanalys av fonder – så inkluderar vi hållbarhet i de råd vi ger dig", at: <https://www.varbergssparbank.se/privat/spara-och-placera/hallbart-sparande/hallbarhetsanalys-av-fonder.html>

<sup>20</sup> Principles for Responsible Investment, "What are the Principles for Responsible Investment?", at: <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

<sup>21</sup> Ibid.

<sup>22</sup> Varbergs Sparbank, "h Så bidrar vi till en hållbar utveckling", at: <https://www.varbergssparbank.se/om-oss/hallbar-utveckling-hallbarhet.html>

<sup>23</sup> Ibid.

total lending portfolio.<sup>24</sup> As the Bank has a significant portfolio in the municipality of Varberg, it has actively led initiatives to promote sustainability among local companies. As part of its efforts, the Bank has launched a Climate Initiative in partnership with EMC,<sup>25</sup> a local network association that promotes sustainable business development, and provides its corporate clients a climate accounting statement (*Klimatbokslut*) at a reduced price to encourage them to start calculating and reducing their emissions.<sup>26</sup>

The Bank discloses scope 1, 2 and 3 emissions in accordance with the GHG Protocol,<sup>27</sup> and has set an annual emissions reduction target of 7%. In 2021, the Bank started disclosing emissions from its investments and lending activities using the Partnership for Carbon Accounting Financials (PCAF)<sup>28</sup> methodology.<sup>29</sup> In 2023, the Bank reported an emission reduction of 6% compared to the previous year.<sup>30</sup> The Bank aims to set medium and long-term decarbonization targets for 2030 and 2050 by the end of 2024.

Sustainalytics is of the opinion that the Varbergs Sparbank Green Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives, and will further the Bank's action on its key environmental priorities.

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

Sustainalytics recognizes that proceeds from the bonds issued under the Framework will be directed towards eligible loans that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible loans 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 possibly 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 Varbergs Sparbank is able to manage or mitigate potential risks through the implementation of the following:

- In order to identify and manage the environmental and social risks associated with its lending practices, the Bank carries out a sustainability analysis for all corporate loans as part of its credit analysis.<sup>31</sup> Under this process, the Bank uses an ESG analysis tool based on the Sustainability Accounting Standards Boards' (SASB) Standards<sup>32</sup> to identify and measure clients' exposure to material sustainability risks in their respective sectors. For corporate loans above SEK 8 million, the Bank conducts an enhanced sustainability analysis to further assess the client's exposure to ESG risks and their ability to manage these risks, and reviews the results as part of its annual credit review process.
- With regard to risks related 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>33</sup> Regarding the protection of biodiversity, 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, Varbergs Sparbank complies with applicable EU guidelines and regulations, such as the EU Construction and Demolition Waste Protocol and Guidelines,<sup>34</sup>

<sup>24</sup> Varbergs Sparbank has shared the information with Sustainalytics on a confidential basis.

<sup>25</sup> EMC: <https://www.emcsverige.se/>

<sup>26</sup> Varbergs Sparbank, "Års- och Hållbarhetsredovisning 2023", at:

<https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE178565910>

<sup>27</sup> GHG Protocol, "Corporate Standard", at: <https://ghgprotocol.org/corporate-standard>

<sup>28</sup> Partnership for Carbon Accounting Financials, "About PCAF", at: <https://carbonaccountingfinancials.com/about>

<sup>29</sup> Ibid.

<sup>30</sup> Varbergs Sparbank, "KLIMATBOKSLUT 2023", at: <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE181267144>

<sup>31</sup> Varbergs Sparbank has shared its Credit Policy with Sustainalytics confidentially.

<sup>32</sup> SASB, "SASB Standards overview", at: <https://sasb.ifrs.org/standards/>

<sup>33</sup> European Parliament, "Directive 2014/52/EU of the European Parliament and of the Council", (2014), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0052>

<sup>34</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)

the EU Waste Framework Directive,<sup>35</sup> the Waste Electrical and Electronic Equipment Directive<sup>36</sup> and the European Waste Shipment Regulation.<sup>37</sup> These regulations aim to ensure that waste is managed without endangering human health or causing harm to the environment.<sup>38</sup> For hydropower projects, the Bank will comply with the Swedish Environmental Code,<sup>39</sup> which requires an environmental impact assessment and the implementation of appropriate safeguards for water-related activities.

- Regarding the risks associated with OHS, Varbergs Sparbank is a member of Hållbar byggbransch,<sup>40</sup> a joint initiative of banks in Sweden aimed at protecting labour rights in the construction industry.<sup>41</sup> The initiative sets out common requirements on stringent control and monitoring of working conditions and contracts for granting credit, and the Bank applies these requirements to its credit approval process. In addition, the Bank complies with the Swedish Work Environment Act, which sets out general guidelines to prevent occupational health issues and accidents at the workplace.<sup>42</sup>
- To manage risks associated with community relations and stakeholder participation, Varbergs Sparbank has a website dedicated to customer complaints, which sets out the communication channel and procedure in a different stage.<sup>43</sup> The Bank also has a whistleblowing mechanism available on its website for anyone to submit a report anonymously.<sup>44</sup> Furthermore, Varbergs Sparbank actively participates in discussions with stakeholders, especially local entrepreneurs, at business meetings and conferences on sustainable business practices.<sup>45</sup>
- Regarding business ethics and responsible lending, Varbergs Sparbank's Code of Conduct and Risk Policy addresses business ethics and compliance with laws and regulations.<sup>46,47</sup> The Bank's policies on ethical business conduct, such as the Ethics Policy, the Conflicts of Interest Policy, and the Representation Policy also provide guidance on the prevention of bribery and corruption.<sup>48,49,50</sup> In addition, the Bank has a Policy on Anti-Money Laundering and Combating the Financing of Terrorism, which sets out the Bank's know-your-customer procedures and obligations in relation to risk management, internal control and reporting.<sup>51</sup>
- Financing under the Framework will take place in Sweden, which is recognized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.<sup>52</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Varbergs Sparbank 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

The 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

<sup>35</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>36</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>37</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>38</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>39</sup> Government of Sweden, "The Swedish Environmental Code", at: <https://www.government.se/legal-documents/2000/08/ds-200061/>

<sup>40</sup> Sustainability Construction Industry, "Hållbar byggbransch", at: <https://www.bankinfrastruktur.se/hallbar-byggbransch>

<sup>41</sup> Varbergs Sparbank, "Års- och Hållbarhetsredovisning 2023", at:

<https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE178565910>

<sup>42</sup> Government of Sweden, "Work Environment Act", at: <https://www.government.se/government-policy/labour-law-and-work-environment/19771160-work-environment-act-arbetsmiljologen/>

<sup>43</sup> Varbergs Sparbank, "Så här gör du för att lämna ett klagomål", at: <https://www.varbergssparbank.se/om-oss/om-du-inte-ar-nojd.html>

<sup>44</sup> Varbergs Sparbank, "Visselblåsning", at: <https://www.varbergssparbank.se/om-oss/visselblasning.html>

<sup>45</sup> Varbergs Sparbank, "Års- och Hållbarhetsredovisning 2023", at:

<https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE178565910>

<sup>46</sup> Varbergs Sparbank has shared its Code of Conduct with Sustainalytics confidentially.

<sup>47</sup> Varbergs Sparbank has shared its Risk Policy with Sustainalytics confidentially.

<sup>48</sup> Varbergs Sparbank has shared its Ethics Policy with Sustainalytics confidentially.

<sup>49</sup> Varbergs Sparbank has shared its Conflicts of Interest Policy with Sustainalytics confidentially.

<sup>50</sup> Varbergs Sparbank has shared its Representation Policy with Sustainalytics confidentially.

<sup>51</sup> Varbergs Sparbank has shared its Policy on Anti-Money Laundering and Combating the Financing of Terrorism with Sustainalytics confidentially.

<sup>52</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

The buildings sector is the largest energy consumer in the EU, accounting for 40% of the final energy consumption in the bloc.<sup>53</sup> The sector is also responsible for 35% of the EU's energy-related GHG emissions as of 2021.<sup>54</sup> As part of the EU's goal to achieve net zero GHG emissions by 2050, the 2024 revision of the EU Energy Performance of Buildings Directive (EPBD) supports the objective of achieving climate neutrality in the buildings sector by 2050, requiring all member states to achieve climate neutrality for their building stock by 2050 and all new buildings to have zero emissions by 2030.<sup>55</sup> To achieve these targets, the EU aims to at least double the rate of renovations on existing buildings by 2030 compared to 2020,<sup>56</sup> as approximately 75% of buildings in the EU are deemed to be energy inefficient.<sup>57</sup>

Sweden aims to reach net zero GHG emissions by 2045, with an interim target to reduce GHG emissions by 59% by 2030, versus 2005 levels.<sup>58,59</sup> As part of its climate strategy, Sweden aims to improve the energy efficiency of its energy consumption (energy supplied relative to GDP) by 50% by 2030.<sup>60</sup> In order to meet this target, the Swedish Energy Agency has identified resource efficiency for both new and existing buildings as one of five strategic focus areas,<sup>61</sup> considering that residential and commercial buildings were estimated to account for 39% of final energy consumption in Sweden.<sup>62</sup>

Regarding new buildings, regulations require them to be nearly zero-energy buildings (NZEB) from 2020 onwards,<sup>63,64</sup> while also setting limits on the maximum permitted energy use in buildings.<sup>65</sup> For existing buildings, Sweden's Third National Strategy for Energy Efficiency Renovation outlines the long-term renovation strategy for residential and non-residential buildings.<sup>66</sup> As part of this strategy, Sweden aims to lower energy use in buildings and achieve a higher proportion of buildings with A-C energy performance ratings, as most buildings already assessed have an energy performance rating between E and G.<sup>67</sup> According to the European Commission, at least 25,000 new and renovated buildings in Sweden were considered NZEB in 2022<sup>68</sup> out of 8 million buildings in Sweden.<sup>69</sup> As part of its National Recovery and Resilience Plan, Sweden has allocated EUR 60 million in grants to energy-efficiency projects in multi-dwelling buildings, with the aim of achieving a

<sup>53</sup> European Parliament, "Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings", (2024), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202401275](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401275)

<sup>54</sup> European Environment Agency, "Greenhouse gas emissions from energy use in buildings in Europe", (2023), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-energy>

<sup>55</sup> European Parliament, "Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings", (2024), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202401275](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401275)

<sup>56</sup> European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", (2020), at: [https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF)

<sup>57</sup> European Parliament, "Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings", (2024), at: [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202401275](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401275)

<sup>58</sup> Swedish 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>59</sup> International Energy Agency, "Energy Policies of IEA Countries: Sweden 2019 Review", (2019), at: [https://iea.blob.core.windows.net/assets/abf9ceee-2f8f-46a0-8e3b-78fb93f602b0/Energy\\_Policies\\_of\\_IEA\\_Countries\\_Sweden\\_2019\\_Review.pdf](https://iea.blob.core.windows.net/assets/abf9ceee-2f8f-46a0-8e3b-78fb93f602b0/Energy_Policies_of_IEA_Countries_Sweden_2019_Review.pdf)

<sup>60</sup> Swedish Ministry of Infrastructure, "Sweden's Third National Strategy for Energy Efficiency 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>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Hjorth H., Antonsson R., Liljefors L., et al. (2022) "Implementation of the EPBD Sweden." Concerted Action EPBD, at: <https://www.ca-epbd.eu/Media/638373595736227761/Implementation-of-the-EPBD-in-Sweden.pdf>

<sup>64</sup> European Parliament, "Directive 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency", (2018), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L0844>

<sup>65</sup> Swedish 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>66</sup> Swedish Ministry of Infrastructure, "Sweden's Third National Strategy for Energy Efficiency Renovation", (2020), at: [https://energy.ec.europa.eu/system/files/2020-05/se\\_2020\\_ltrs\\_official\\_translation\\_0](https://energy.ec.europa.eu/system/files/2020-05/se_2020_ltrs_official_translation_0)

<sup>67</sup> Swedish 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>68</sup> European Commission, "Report on renovation of the national stock of residential and non-residential buildings and on nearly zero-energy buildings", (2023), at: [https://eur-lex.europa.eu/resource.html?uri=cellar:b27b8b93-725d-11ee-9220-01aa75ed71a1.0001.02/DOC\\_3&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:b27b8b93-725d-11ee-9220-01aa75ed71a1.0001.02/DOC_3&format=PDF)

<sup>69</sup> SCB Official Statistics of Sweden, at:

[https://www.statistikdatabasen.scb.se/pxweb/en/ssd/START\\_MI\\_MI0803\\_MI0803B/MarkanvByggnadLnKnN/table/tableViewLayout1/](https://www.statistikdatabasen.scb.se/pxweb/en/ssd/START_MI_MI0803_MI0803B/MarkanvByggnadLnKnN/table/tableViewLayout1/)

20% reduction in PED, in line with an annual renovation rate target of 3%.<sup>70,71</sup> In Varberg, the municipal government has included energy efficiency and resource-efficient construction among its sustainability goals to streamline and reduce energy use in existing and new properties.<sup>72</sup>

In view of the above, Sustainalytics considers that Varbergs Sparbank's financing of green buildings is expected to contribute to increasing energy efficiency in buildings, and thus contribute towards the local, national and EU energy efficiency and climate-related 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 Varbergs Sparbank Green Bond Framework are expected to help 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
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
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
Sustainable Agriculture and Sustainable Management of Living Natural Resources	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements  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  15.b Mobilize significant resources from all sources and at all levels to finance sustainable forest management and provide adequate incentives to developing countries to advance such management, including for conservation and reforestation

<sup>70</sup> European Parliament, "Sweden's National Recovery and Resilience Plan", (2022), at: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733581/EPRS\\_BRI\(2022\)733581\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733581/EPRS_BRI(2022)733581_EN.pdf)

<sup>71</sup> International Energy Agency, "Sweden's Recovery Plan / energy efficiency of apartment buildings", (2022), at: <https://www.iea.org/policies/13703-swedens-recovery-plan-energy-efficiency-of-apartment-buildings>

<sup>72</sup> Varberg Municipality, "Hållbarhets bokslut 2022". (2023), at: [https://varberg.se/download/18.2b514d9b18a92e6fafc3521f/1687348948369/Varbergs\\_kommuns\\_Ha%CC%8Allbarhetsbokslut\\_2022.pdf](https://varberg.se/download/18.2b514d9b18a92e6fafc3521f/1687348948369/Varbergs_kommuns_Ha%CC%8Allbarhetsbokslut_2022.pdf)

Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
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## Conclusion

Varbergs Sparbank has developed the Varbergs Sparbank Green Bond Framework under which it may issue green bonds and use the proceeds to finance and refinance projects intended to deliver positive environmental impacts primarily in the municipality of Varberg. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Varbergs Sparbank Green Bond Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Varbergs Sparbank Green Bond Framework is aligned with the overall sustainability strategy of Varbergs Sparbank and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11, 13 and 15. Additionally, Sustainalytics is of the opinion that Varbergs Sparbank 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 Varbergs Sparbank is well positioned to issue green bonds and that the Varbergs Sparbank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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