OP Corporate Bank plc

Type of Engagement: Annual Review
Date: 18 April 2024
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Introduction

In February 2019 and January 2022, OP Corporate Bank plc[1] ("OP Corporate Bank") issued two green bonds, the EUR 500 million Green Bond in 2019 (the "Green Bond 1") based on the OP Financial Group Green Bond Framework (the "2018 Framework"),[2] and the EUR 500 million Green Bond in 2022 (the "Green Bond 2") based on the OP Corporate Bank Green Bond Framework (the "2022 Framework");[3] collectively the "Green Bonds" to finance or refinance projects[4] aimed at providing positive environmental impact with regard to renewable energy, green buildings, pollution prevention and control, and environmentally sustainable management of living natural resources and land use in the Nordics (Finland, Sweden, Norway and Denmark) and across the Baltic states (Estonia, Latvia and Lithuania). In 2024, OP Corporate Bank engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the "Nominated Projects") and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the respective frameworks. Sustainalytics provided a Second-Party Opinion on the 2022 Framework in January 2022.[5] This is Sustainalytics' second annual review of the allocation and reporting of the instruments issued under the 2022 Framework, following a previous review in April 2023.[6]

Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs (2018 Framework)

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Loans to finance projects and businesses dedicated to the development, manufacturing, construction, operation, distribution and maintenance of renewable energy: i. Offshore and onshore wind ii. Solar energy iii. Hydropower a. Nordic (Finland, Sweden, Norway or Denmark) hydro	i. kWh of power generated from renewable energy ii. Tonnes of carbon dioxide (CO_2) equivalent avoided

[1] OP Corporate Bank plc is the corporate banking subsidiary of OP Financial Group, the largest financial services group in Finland.
[2] OPFI, "Green Bond Framework, OP Financial Group", (2018), at: https://www.op.fi/documents/20556/30424959/OP+Green+Bond+Framework/9077fe7e-fdd2-586b-23cf-7efa11289a6e
[3] OPFI, "Green Bond Framework, OP Corporate Bank", (2022), at: https://www.op.fi/documents/20556/30424959/OP+Corporate+Bank+Green+Bond+Framework+2022/e36fd21c-c22a-33a1-1575-c4f18af6e382
[4] This includes project-based lending as well as general-purpose financing for pure play companies that derive at least 90% of their turnover from activities identified in the eligible categories.
[5] Sustainalytics, "Second-Party Opinion, OP Corporate Bank", (2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/op-corporate-bank-plc-green-bond-framework-second-party-opinion.pdf
[6] OPFI, "Annual Review, OP Corporate Bank", (2023), at: https://www.op.fi/documents/20556/40389450/Sustainalytics+Second+Party+Opinion+Annual+Review%2C+April+2023/5ae447aa-bd47-ac4f-7eae-f0bed6ee5cdb

	power plants excluding construction of new large scale hydro plants (>20MW). b. Refurbishment investments or refinancing of large hydro power plants (>20MW) is permitted if the size of the water reservoir is not increased and the project is assessed and deemed to be compliant with the local regulations. iv. Waste to energy including energy from by-products of the forest sector, excluding biomass derived from sources of high biodiversity, that compete with food sources or that deplete carbon pools.	
Green Buildings	Loans to finance projects and businesses dedicated to: 1. Commercial or residential buildings that have obtained one of the following certifications: i. LEED "gold" or better; ii. BREEAM "very good" or better; iii. the Nordic Swan Ecolabel (Svanen) certification; iv. or any other equivalent regional recognised certification with similar standards and approved by the Green Bond Committee. OR 2. New or recently built commercial or public real estate buildings that are in class B or better in the Finnish energy classification for buildings OR 3. Upgrade retrofits (renovations and refurbishments of buildings): i. leading to better Energy Performance Certificates (EPCs), ii. or leading to at least 15% lower energy use than that required by the applicable national building code for comparable buildings.	i. Number of eligible buildings that received third-party-verified green building certification ii. Reduction in energy use (kWh/year)
Sustainable Land Use	Loans to finance projects and businesses dedicated to: i. Sustainable forestry projects with a certification from FSC or PEFC ii. The conversion of land from energy-intensive industry and/or fossil fuel intensive use to greenzones, conservation areas or energy-neutral urban districts (e.g. highways to bikeways type projects)	i. Total land area under sustainably certified forests ii. Amount organic Sustainable agriculture land financed in m² iii. Total land area transformed from heavily polluting land use to eco-friendly land use

	iii. Sustainable agriculture, in the EU comprised of organic farming as certified in compliance with EU and national regulations	

Table 2: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs (2022 Framework)

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Financing or refinancing to projects and businesses dedicated to the development, manufacturing, construction, operation, and maintenance of renewable energy[7]: i. Wind power ii. Solar power iii. Hydropower a. New Nordic (Finland, Sweden, Norway or Denmark) or Baltic hydropower plants if they meet one of the following: (i) run-of-river plants without artificial reservoir or low storage capacity, (ii) life-cycle emissions below 50g CO_2e/kWh, (iii) power density is greater than 10 W/m^2. All new hydropower projects will undergo an environmental and social risk assessment b. Refurbishment investments or refinancing of hydropower plants is permitted if the size of the water reservoir is not increased and the project is assessed and deemed to be compliant with the local regulations iv. Bioenergy including energy from by-products of the forest sector, excluding biomass derived from sources of high biodiversity, that compete with food sources or that deplete carbon pools v. Ground source heat pumps and geothermal projects.	i. Annual GHG emissions reduced/avoided in tCO_2e ii. Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) iii. Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Green Buildings	Financing or refinancing to projects and businesses dedicated to green buildings: i. Buildings that have obtained one of the following certifications: a. LEED "gold" or better; b. BREEAM "very good" or better;	i. Type of certification scheme, certification level and m^2 of gross building area ii. Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy)

[7] Regardless of technology, renewable energy should always have lower life-cycle emissions than 100 gCO2 e/kWh.

	c. the Nordic Swan Ecolabel certification; d. EDGE; e. RTS "3 stars" or better; f. or any other equivalent regional recognised certification with similar standards and approved by the Green Bond Committee ii. Buildings that are in energy class A as evidenced by an Energy Performance Certificate (EPC) or through a separate study determined to belong to the top 15% energy efficient buildings compared to the performance of the national building stock[8] iii. Renovations and refurbishments of buildings reducing annual primary energy demand[9] per square meter by at least 30% compared to the pre-renovation levels.	
Pollution Prevention and Control	Financing or refinancing to projects and businesses dedicated to pollution prevention and control: i. Pollution prevention and control including reduction of air emissions, greenhouse gas control, soil remediation, waste prevention, waste collection, waste reduction and waste recycling ii. Sustainable water and wastewater management including sustainable infrastructure for clean and/ or drinking water, wastewater treatment, sustainable urban drainage systems iii. Waste to energy facilities following waste hierarchy to ensure that as much of the waste as possible is reused and recycled before being converted to energy	i. Waste prevented, minimized, reused or recycled ii. Waste collected and treated or disposed iii. Energy recovered from waste iv. Annual water savings/recycled/purified v. Annual volume of wastewater treated or avoided
Environmentally Sustainable Management of Living Natural Resources and Land Use	Financing or refinancing to projects and businesses dedicated to environmentally sustainable management of living natural resources and land use: i. Sustainable forestry projects with a certification from FSC or PEFC ii. Sustainable agriculture, in the EU comprised of organic farming as	i. Total land area under sustainably certified forests ii. Amount of organic sustainable agriculture land financed in m^2

[8] Calculation methodology as per the EU Climate Taxonomy Delegated Act i.e. the building should be "within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings."

[9] Definition following the EU Climate Taxonomy Delegated Act i.e. "The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m2 per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

	certified in compliance with EU and national regulations iii. Sustainable aquaculture in the Nordic and Baltic countries including land-based fish farming facilities with wastewater treatment. Sustainability of the operations is confirmed by Aquaculture Stewardship Council (ASC) certification.	

Issuer's Responsibility

OP Corporate Bank is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from OP Corporate Bank's Green Bonds. The work undertaken as part of this engagement included collection of documentation from OP Corporate Bank and review of said documentation to assess conformance with the Framework.

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

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,[10] nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the respective frameworks. OP Corporate Bank has disclosed to Sustainalytics that the proceeds from Green Bond 1 and Green Bond 2 were fully allocated on 26 February 2019 and 27 January 2022.

[10] Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the respective frameworks.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the respective frameworks.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

Appendices

Appendix 1: Allocation Reporting by Use of Proceeds Category

In 2019 and 2022, OP Corporate Bank issued two green bonds, the EUR 500 million Green Bond 1" and the EUR 500 million Green Bond 2 to refinance[11] projects which meet the use of proceeds and eligibility criteria defined in the Framework. The proceeds from the Green Bonds were fully allocated to the Nominated Projects.

Table 4: Net Proceeds Allocation by Use of Proceeds Category

Use of Proceeds Category	Eligible Projects	Net Proceeds Allocation (Green Bond 1)		Net Proceeds Allocation (Green Bond 2)	
		EUR million	%	EUR million	%
Renewable Energy	Wind power	142	28.4	142	28.4
	Hydropower	191	38.2	191	38.2
	Solar Energy	3	0.6	3	0.6
	Waste to Energy[12]	14	2.8	0	0.0
Pollution Prevention and Control	Waste to Energy[13]	0	0.0	14	2.8
Green Buildings	BREEAM (Very Good and above)	99	19.8	99	19.8
	LEED (Gold and above)				
	RTS (3 stars and above)				
	EPC A				
Environmentally Sustainable Management of Living Natural Resources and Land Use	Sustainable Forestry	51	10.2	51	10.2
Total		**500**	**100**	**500**	**100**

[11] OP Corporate Bank has communicated to Sustainalytics that they used the entire bond proceeds to refinance their green loan portfolio.
[12] Waste-to-energy projects are listed under two use of proceeds categories, renewable energy and pollution prevention and control. To avoid double accounting, OP split the total estimated impact from waste-to-energy projects equally, thus OP reports equal impact figures under both categories.
[13] Ibid.

Appendix 2: Reported Impact by Use of Proceeds Category

Table 5.1: Environmental Impact Reported for Renewable Energy

Use of Proceeds Category	Eligible Projects	Environmental Impact Reported		
		GHG emissions avoided (tCO_2e)	Energy generated (GWh)	Installed capacity (MW)
Renewable Energy	Wind power	60,132.9	314.8	139.4
	Hydropower	263,158.6	1,377.8	316.9
	Solar Energy	936.1	4.9	5.7
	Waste to Energy[14]	15,767.4	67.9	-

Table 5.2: Environmental Impact Reported for Pollution Prevention and Control

Use of Proceeds Category	Eligible Projects	Environmental Impact Reported	
		GHG emissions avoided (tCO_2e)	Energy generated (GWh)
Pollution Prevention and Control	Waste to Energy[15]	15,767.4	67.9

Table 5.3: Environmental Impact Reported for Green Buildings

Use of Proceeds Category	Eligible Projects	Environmental Impact Reported			
		GHG emissions avoided (tCO_2e)	Square meters certified (m^2)	Square meters certified, under construction (m^2)	Energy saved (MWh)
Green Buildings	BREEAM (Very Good and above)	925.9	28,623.0	1,346.4	5,449.4
	LEED (Gold and above)	321.5	15,821.6	-	3,124.8
	RTS (3 stars and above)	191.9	4,943.5	1,847.2	1,192.9
	EPC A	626.3	18,995.2	-	3,934.8

Table 5.4: Environmental Impact Reported for Environmentally Sustainable Management of Living Natural Resources and Land Use

Use of Proceeds Category	Eligible Projects	Environmental Impact Reported	
		FSC and PEFC certified forest (hectares)	Carbon sinks[16] (tCO_2e)
Environmentally Sustainable Management of Living Natural Resources and Land Use	Sustainable Forestry	52,457.1	20,651.6

[14] Waste-to-energy projects are listed under two use of proceeds categories, renewable energy and pollution prevention and control. To avoid double accounting, OP split the total estimated impact from waste-to-energy projects equally, thus OP reports equal impact figures under both categories.
[15] Ibid.
[16] Carbon sinks refer to absorbed carbon by certified forests. Carbon sinks are calculated based on annual carbon increments in forest growing stock (including trunks, crowns, and roots) and converted to carbon dioxide equivalents (CO_2e) according to atomic mass.

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