

OP Mortgage Bank

Type of Engagement: Annual Review

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Engagement Team:

Nadia Djinnit, nadia.djinnit@morningstar.com, (+1) 416 861 0403

Sameen Ahmed, sameen.ahmed@morningstar.com

Introduction

In March 2021, OP Mortgage Bank (“OPMB” or the “Bank”) issued its first green covered bond (“2021 Green Bond”) aimed at financing projects that are expected to catalyse positive environmental benefits such as improved energy efficiency and reduced GHG emissions. The 2021 Green Bond financed projects from the Green Buildings category listed in the OP Mortgage Bank Green Covered Bond Framework¹ (the “Framework”). In November 2020, Sustainalytics provided a Second-Party Opinion² on the Framework. In March 2022, OPMB engaged Sustainalytics to review the projects funded through the issued 2021 Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green bond issuance based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	<p>Green buildings that serve as collaterals for mortgages meeting the following criteria:</p> <ol style="list-style-type: none"> 1. Acquisition and ownership: Buildings built before 2021 energy performance must be among top 15% of similar stock (in terms of number of buildings), buildings built after 2021: primary energy demand** 20% lower than NZEB (Nearly Zero Energy Buildings) requirements. <p>Primarily, existing Energy Performance Certificates (EPCs) are used for screening and in case EPC information cannot be linked to a collateral, the secondary approach will be statistical modeling. EPCs’ energy label must be A or B (if issued under 2018 legislation) or equivalent (if issued under 2013 legislation). The threshold (for energy label) will be adjusted as necessary in</p>	<ul style="list-style-type: none"> • Annual energy reduced/avoided in MWh or GWh • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent

¹ OPMB’s Green Covered Bond Framework is available on the Bank’s website at:

<https://www.op.fi/documents/20556/30424959/OPMB+Green+Covered+Bond+Framework+2020/d90986db-dff2-b75b-5fa7-f8af888fc6b4>

² Sustainalytics Second-Party Opinion on OPMB’s Green Covered Bond Framework is available at:

<https://www.op.fi/documents/20556/30424959/Sustainalytics+SPO+OPMB+Green+Covered+Bond+Framework+2020/73a45b00-9dfc-df39-626d-62fbb5a453ca>

	<p>order to fulfil EU Taxonomy Eligibility Criteria.</p> <ol style="list-style-type: none"> 2. Construction of new buildings: primary energy demand** 20% lower than NZEB requirements. (for buildings built from 2021 onwards, for buildings built before YE2020 the top 15% criteria is applied). 3. Building renovation: complies with relevant local “major renovation” regulations (based on the Energy Performance of Buildings Directive, EPBD) or delivers 30% energy savings. 4. Individual measures and professional services: list of eligible measures and services with individual criteria as outlined in the Taxonomy.*** 	
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* Criteria as of 2020. For further revisions view the [Technical annex to the TEG final report on the EU taxonomy](#).

** In Finland, E-value is used to assess the energy efficiency of buildings and will be used as a proxy.

*** The eligible measures and services with individual criteria are listed in the [Technical annex to the TEG final report on the EU taxonomy](#).

Issuing Entity’s Responsibility

OPMB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of OPMB’s Green Covered Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from OPMB employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by OPMB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by OPMB.

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 over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of OPMB’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. OPMB has disclosed to Sustainalytics that the proceeds of the green bond have been fully allocated since the bond issuance on March 25, 2021.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Net Bond Proceeds Allocation (EUR millions)	Number of mortgages ⁴	Building area (million m ²)	Environmental Impact Reported by Eligibility Criteria	Measured Impact
Green Buildings	750	22,435	2.4	Avoided energy use per annum (MWh)	26,000
				Tonnes of CO ₂ equivalent avoided p.a. (tCO ₂ e)	4,100

⁴ This denotes the number of assets tagged as green in OPMB's cover pool based on their collaterals' greenness as of December 31, 2021. Some green mortgages or loans may have more than one green collateral against them.

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