

OP Mortgage Bank

Type of Engagement: Annual Review

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Introduction

OP Mortgage Bank ("OPMB" or the "Bank") issued a EUR 750 million green covered bond (the "2021 Green Bond") in March 2021 and a EUR 1 billion green covered bond (the "2022 Green Bond") in April 2022 under the Euro Medium Term Covered Notes programme. Proceeds from the issuances of the 2021 Green Bond and 2022 Green Bond were allocated to mortgages that financed projects according to the eligibility criteria defined under the Green Buildings category in the OP Mortgage Bank Green Covered Bond Framework¹ (the "Framework"). Sustainalytics provided a second-party opinion on the Framework in November 2020.²

In March 2023, OPMB engaged Sustainalytics to review the projects funded with proceeds from the 2021 Green Bond and 2022 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. This is Sustainalytics' second annual review of allocation and impact of bonds issued under the Framework, following a previous review in March 2022.³

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 and 2022 green covered bonds based on whether:

1. The projects met the use of proceeds and eligibility criteria outlined in the Framework; and
2. The Issuer reported, in aggregate, on at least one key performance indicator (KPI) per use of proceeds category outlined in the Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria ⁴	Key Performance Indicators
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</p>	<ul style="list-style-type: none"> • Annual energy reduced/avoided (measured in MWh or GWh) • Annual GHG emissions reduced/avoided (measured in tonnes of CO₂ equivalent)

¹ OP Mortgage Bank, "Green Covered Bond Framework", (2020), at:

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

² Sustainalytics, "Second-Party Opinion, OP Mortgage Bank Green Covered Bond Framework", (2020), at:

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

³ The review of 17 March 2022 covered the allocation and reported impact of proceeds from the 2021 Green Bond totaling EUR 750 million, which OP Mortgage Bank communicated had been fully allocated as of 25 March 2021.

⁴ Criteria as of 2020. For further revisions, view the Technical Annex to the TEG final report on the EU taxonomy, at:

https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en

	<p>legislation). The threshold (for energy label) will be adjusted as necessary in order to fulfil EU Taxonomy Eligibility Criteria.</p> <ol style="list-style-type: none"> 2. Construction of new buildings: primary energy demand⁵ 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.⁶ 	
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Issuer’s Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from OPMB’s 2021 Green Bond and 2022 Green Bond. The work undertaken as part of this engagement included collection of documentation from OPMB and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by OPMB. 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 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 of the review.

Conclusion

Based on the limited assurance procedures conducted,⁷ 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 OP Mortgage Bank Green Covered Bond Framework. OPMB has disclosed to Sustainalytics that proceeds from the 2021 Green Bond were fully allocated as of 25 March 2022 and proceeds from the 2022 Green Bond were fully allocated as of 5 April 2022.

⁵ OPMB has informed Sustainalytics that E-value is used to assess the energy efficiency of buildings in Finland and will be used as a proxy.

⁶ The Framework refers to the EU Taxonomy.

European Commission, Technical Expert Group on Sustainable Finance, “Technical Annex to the TEG Final Report on the EU taxonomy”, (2020), at: https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en

⁷ Sustainalytics’ limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2021 and 2022 green covered bonds to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded with proceeds from the 2021 and 2022 green covered bonds to determine if the impact of projects was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds criteria.	None

Appendix

Appendix 1: Reported Allocation and Impact

Table 3: Total allocation of the combined proceeds from the 2021 Green Bond and the 2022 Green Bond and reported impact

Use of Proceeds Category	Net Bond Proceeds Allocation (EUR million)	Number of mortgages ⁸	Building area (m ²)	Avoided energy use per annum (MWh)	Tonnes of CO ₂ equivalent avoided p.a. (tCO ₂ e)
Green Buildings	1,750	25,467	2,000,000	62,000	9,300

⁸ The number of mortgages denotes the assets OPMB tagged as green in its cover pool as of 31 December 2022.

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