



Sparbanken Skåne

Green Bond Second Opinion

26.09.2019

Sparbanken Skåne is a regional savings bank which has implemented sustainability considerations into several areas of its operations and lending, and continues to extend the scope of its sustainability work. Sparbanken Skåne is active in Southern Sweden and offers traditional bank services to corporate and retail customers as well as public bodies.

Green bond proceeds will be allocated to the categories sustainable agriculture, green buildings, renewable energy, energy efficiency, sustainable transportation and pollution prevention and control. According to the issuer, proceeds from the initial bond issuance will largely be allocated to sustainable agriculture while smaller shares will refinance loans extended to renewable energy and green buildings. The bank currently has no exposure to some of the eligible project types, such as waste- to-energy, which is included under Pollution Prevention and Control.

Sparbanken Skåne has some advanced policies in place to support the framework. The bank has defined targets for reducing its direct emissions. The bank also requires suppliers to commit to a code of conduct and follows up on suppliers adherence. Progress towards these targets and goals is reported in the sustainability report. The bank has included the assessment of clients' sustainability profiles into its credit model. An internal sustainability committee works to advance the implementation of sustainability considerations into all of the banks operations. Client representatives have received training in sustainability assessment. The bank reports some of its direct emissions. Reporting according to the TCFD recommendations is currently not available. The green committee will remove controversial projects from green bond financing. The bank will provide annual reporting on allocation and impacts on a portfolio basis.

Based on an assessment of the framework's alignment with the Green Bond Principles, the project categories and Sparbanken Skåne's governance, this green bond framework receives the overall **CICERO Medium Green** shading and a governance score of **Excellent**. The overall shading is based on the indicated allocation of proceeds between agriculture (60%), green buildings (30%) and renewable energy (10%). The framework could be strengthened by policies covering the main sources of emissions in organic certified agriculture and proactive policies covering origin, type and recycling rates for waste to be incinerated as well as policies covering the raw materials and transport of biofuels.

SHADES OF GREEN

Based on our review, we rate the Sparbanken Skåne's green bond framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in Sparbanken Skåne's framework to be **Excellent**.



GREEN BOND PRINCIPLES

Based on this review, this Framework is found in alignment with the Green Bond principles.





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1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated September 2019. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'shades of green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.



Brown is allocated to projects and solutions that are in opposition to the long-term vision of a low carbon and climate resilient future.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available



New infrastructure for coal

Sound governance and transparency processes facilitate delivery of clients' climate and environmental ambitions laid out in the framework. Hence, the governance aspects are carefully considered and reflected in the overall shading of the green bond framework. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent.



2 Brief description of Sparbanken Skåne's green bond framework and related policies

Sparbanken Skåne is a regional savings bank from the south of Sweden. The bank's headquarter is located in the city of Lund and it is active in 15 municipalities in its home region of Skåne. The bank offers traditional banking services to retail customers and small and medium sized corporate clients, as well as public bodies and other organizations.

Environmental Strategies and Policies

Sparbanken Skåne describes itself as being an active contributor to achieving a more sustainable future. The bank has a broad view on sustainability and includes matters of the environmental, Social standards and business ethics and applies those to its own activities and its lending, according to its sustainability policy. The bank's sustainability work is based on the principles of the UN Global Compact, according to the framework.

The bank is conscious that its largest impact on sustainability is through its lending. The bank assesses some sustainability risks that a client may be or become exposed to and the clients' preparedness to meet such risks. This is standard procedure and included in the credit model. According to the issuer, considerations of physical risk, like floods or droughts, and resiliency do not formally stretch beyond what clients may have to document to regulatory authorities or under certification schemes. The bank is of the opinion that a reduction of clients' sustainability risk means a reduction in overall credit risk, and that reduced sustainability risk will yield better returns in the long run. The bank offers better terms for loans connected to solar power and sustainability loans. According to its sustainability policy, the bank will not lend to clients whose activities contradict the goals of the UN Global Compact. Credit officers as well as client executives have received sustainability training led by PwC. Other trainings in green finance are planned, according to the issuer. By assessing the sustainability risk the bank also hopes to nudge its clients in a more sustainable direction.

The bank also aims to reduce the climate footprint from its own operations. The issuer uses the national government's 16 environmental goals as a framework for these efforts. The bank has defined targets for reducing the use of paper, electricity, travel and for following up suppliers using the bank's own Code of Conduct, which suppliers are required to sign. The bank has also purchased some electric cars and bicycles for business travel. The bank reports on its achievements towards these targets in its sustainability report. Sparbanken Skåne is certified under the ISO-14001 standard. The bank has a sustainability committee with members from across the organization who are tasked to better integrate sustainability into everyday operations.

Sparbanken Skåne reports some of its direct emissions, such as emissions from travelling and energy consumption. The bank has signed a 10-year power purchase agreement (PPA) with Sweden's largest PV plant, in which it also is an investor. The PPA means that the bank's electricity consumption will be covered by renewable energy over the next 10 years. The bank currently does not report on climate risk as recommended by the Task force on Climate-related Financial Disclosure. The bank does currently not have a systematic approach to assessing physical risk and resiliency in its credit assessment or lending portfolio, but initial discussions on the portfolios exposure to flood risk in coastal areas have taken place.



Use of proceeds

Proceeds from green bonds issued under this framework can be allocated to finance or re-finance, in whole or in part, eligible green loans. These loans are tied to eligible project categories within the fields of mitigation and adaptation. The framework lists as eligible project categories Sustainable Agriculture, Green Buildings, Renewable Energy, Energy Efficiency, Sustainable Transport and Waste Management (Pollution Prevention and Control). Each project category refers to one of the UN's Sustainable Development Goals. The issuer excludes the direct allocation of proceeds to fossil industries and follows Swedbank's exclusion list.

According to the issuer, around 60 % of proceeds from the initial green bond will be allocated to sustainable agriculture. The remaining proceeds will most likely be allocated to Green Buildings and Renewable Energy.

Selection:

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

In order to be considered for green financing, loans have to be approved under the regular credit process as a precondition. This process screens projects for some sustainability risks and evaluates the client's preparedness. Sparbanken Skåne has established a Green Committee which is responsible for approving the eligibility of a loan to receive green financing. The committee is also tasked with updating the framework should that be decided. The Green Committee consists of members from the business side, Sustainability Department, Finance Department and Credit Department. Some of the committee members hold formal environmental competence and decisions are taken in consensus.

New corporate green loans are suggested by the individual client executive and reviewed by the regular credit office, which assesses the loan against eligibility criteria in the green bond framework. The assessment is then presented to the Green Committee for final approval. Approved green loans are entered into the Green Register.

For existing corporate loans, the credit office, supported by client executives, identifies a pool of loans which qualify under the eligibility criteria. The pool of loans is presented to the Green Committee for final approval and addition to the Green register.

The selection process for new and existing green loans to retail customers is still under development. The Green Committee does however have final approval rights also for these kinds of loans. Approved loans will be added to the Green Register.

The Finance Department monitors the Green Register and ensures that proceeds are allocated to eligible green loans. The register will also be reviewed by external auditors.

Management of proceeds

CICERO Green finds the management of proceeds of Sparbanken Skåne to be in line with the Green Bond Principles.

All green bonds will be managed on a portfolio basis by the finance department. As the issuer expects full allocation upon issuance, proceeds will be tracked through the green registry by the finance department. Sparbanken Skåne will not link specific loans to single green bonds but allocate proceeds on a portfolio basis. The



amount of approved green loans in the Green Registry is to be larger than green bond proceeds at any time. Green loans can be removed from the Green Registry and replaced by others.

Should any funds remain temporarily unallocated the issuer will not invest these funds in assets directly linked to fossil energy.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

The issuer will report on an annual basis for as long as green bonds are outstanding. The finance department is responsible for such reporting. The report will be available on the bank's website. Reporting will be done on a portfolio basis. The issuer will report on the total amount of green bonds issued, the shares of proceeds allocated to the different project categories, the share of financing and re-financing and the amount of any unallocated proceeds. Reports will be reviewed externally.

The issuer will provide impact reporting for all project categories included in the framework. Reporting is subject to the availability of data. Since reporting is done on a portfolio basis it will not be able to link impacts to individual bonds. The indicators are defined as follows:

Sustainable agriculture:

- Cropland under organic agriculture practices (hectare)
- Organic farming certification scheme

Green buildings:

- Type of certification and degree of certification for buildings (LEED/BREEAM/ Miljöbyggnad Silver etc.)
- Energy performance certificate class (A or B)
- Energy usage for the buildings (kWh/m²/year)

Renewable energy:

- Installed capacity (MWh) or expected annual generation (MWh)

Energy efficiency:

- Annual energy saved (MWh); distribution capacity (MWh)

Sustainable transportation:

- Number of people with access to sustainable transport systems
- Number of fossil-free vehicles deployed
- Number of electric vehicle charging points installed

Waste management:

- Avoided resource waste (ton)
- Materials sourced sustainably or recycled (ton)
- Reduction of hazardous materials used (ton)



3 Assessment of Sparbanken Skåne's green bond framework and policies



The framework and procedures for Sparbanken Skåne's green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Sparbanken Skåne should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Sparbanken Skåne's green bond framework, we rate the framework **CICERO Medium Green**.

Eligible projects under the Sparbanken Skåne's green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bond Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Green Shading and some concerns
Sustainable Agriculture  	<ul style="list-style-type: none">Organic farming certified according to national legislation or EU legislation for organic food and/or the KRAV certification	Light to Medium Green <ul style="list-style-type: none">✓ The variety of different goals of organic farming (health, animal welfare, environment, climate) is too complex to allow an overarching scientific statement on the benefits of organic versus conventional farming.✓ Among the main sources of greenhouse gas emissions in agriculture are land use change (esp. forests, wetlands) for cultivating new areas, emissions from cattle and the use of some types of artificial fertilizer (both from production and use). The use of fossil fuels in machinery is another, albeit smaller source of emissions.



- ✓ Agriculture is exposed to several physical risks, such as floods and draughts due to extreme weather events. This can cause shortfalls in yields or erosion of soils.
- ✓ The issuer confirmed that lending under this category will not expand the area of cultivated land, i.e. green bond proceeds will not contribute to land use change.
- ✓ Organic farming limits the use of mineral nitrogen fertilizers. However, increased use of manure as an alternative increases the need for cattle.
- ✓ The eligible certifications do not restrict the farming of cattle in general. Merely the number of cattle per unit of land (stocking density) must be limited to minimize overgrazing, erosion, or pollution caused by animals or by the spreading of their manure¹, and due to the restricted use of medications.
- ✓ KRAV is based on EU legislation of organic products and raw materials but poses extra requirements and a verification scheme.
- ✓ The KRAV scheme calls for lowering the use of fossil fuels and demands energy efficiency improvements. Measures taken are reviewed. The standard requires that all purchased electricity must be renewable.²
- ✓ The use of certain chemical pesticides is restricted, which is assumed to support biodiversity in the cultivated areas.

Green Buildings Residential or commercial real estate including new, refurbished, acquired or existing buildings that fulfill at least one of the following criteria:



- BREEAM Very Good or BREEAM SE Very Good, LEED Gold, Miljöbyggnad Silver, Green

Light Green

- ✓ Some of the mentioned certifications, such as BREEAM “very good” do not require improvements in energy efficiency. Additional targets to improve energy efficiency would be a more effective measure to reduce the energy footprint of buildings.

¹ https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organic-production-and-products_en

² https://www.krav.se/wp-content/uploads/2019/03/KRAV_standards_2019-2020.pdf, p.76.



	<p>Building, Svanen, Passive House (Sw. Passivhus)</p> <ul style="list-style-type: none">• Buildings with an energy performance certificate (EPC) A or B issued by the Swedish National Board of Housing, Building and Planning (Sw. Boverket)• Buildings where refurbishments have been or will be made reducing energy consumption by at least 25%. National requirements at the time of construction of buildings are applicable as baseline for comparison.	<ul style="list-style-type: none">✓ Energy performance certificates A and B do not take into consideration resiliency against physical risk and the proximity to public transport✓ Currently the bank has only two buildings in its green portfolio. One has a “Miljöbyggnad Silver”, the other a “Miljöbyggnad Gold” certification.✓ The issuer will not apply any screenings of buildings beyond the requirements of the respective certification schemes
Renewable Energy	<ul style="list-style-type: none">• Wind power• Solar energy	<p>Dark Green</p> <ul style="list-style-type: none">✓ Increasing the share of renewable energy in national electricity mixes is an essential part of achieving the long-term net zero emissions future.✓ The issuer will not finance utility scale wind power projects but limit financing to smaller scale projects by private landowners.✓ Mind impacts on biodiversity, landscapes and affected communities in all power projects, and especially regarding wind power projects. This risk is partly mitigated by avoiding utility scale wind parks.✓ We encourage engaging with project owners on emissions connected to procurement, suppliers and construction for new developments✓ Construction or upgrading of access roads should be kept to a level that ensures the proper functioning of the project but that does not encourage increased car use by the local population.
Energy Efficiency	<p>Energy efficiency projects including infrastructure projects, technology, energy storage, smart grid</p>	<p>Dark Green</p> <ul style="list-style-type: none">✓ Improvements in energy efficiency in all areas are an essential building block



solutions or district heating leading to reduced energy consumption or reduced energy losses of 25%

- to reduce the carbon footprint of energy use
- ✓ Only district heating assets which use locally sourced woodchips as fuel are eligible

Sustainable
Transport



- Fossil-free vehicles powered by electricity or biofuel
- Infrastructure for clean transport including railways, bicycle and pedestrian infrastructure and electric charging points



- Dark and Medium Green**
- ✓ Electric vehicles and supporting infrastructure for electric transportation are part of the long-term net zero emissions future.
 - ✓ The issuer should be aware that biofuels should be sourced sustainably to avoid deforestation, crowding out of food-crops and long-distance transport emissions.
 - ✓ Hydrogen is a good replacement for Diesel in long distance / heavy transport. It is not a dark green solution for light duty personal vehicles as battery electric technology is widely available in Sweden and because hydrogen is in most cases produced using natural gas, thereby causing emissions.

Pollution
Prevention and
Control (Waste
management)



- Infrastructure for better waste management supporting pollution prevention
- Energy efficient and resource preserving waste to energy

- Medium Green**
- ✓ Waste recycling is an essential activity in a low carbon society and part of the long-term solution.
 - ✓ Waste-to-energy projects should avoid the incineration of plastics to the extent possible as these energy rich materials should be recycled to a large extent in a 2050 perspective
 - ✓ Waste should be sourced locally in order to avoid transport emissions.
 - ✓ There are currently no waste-to-energy projects in the issuer's portfolio. Potential projects will be in Skåne and Southern Sweden.
 - ✓ The issuer should consider drafting policies for issues like shares of plastics



and recycling for potential future financing of waste-to energy projects.

Table 1. Eligible project categories

Background

Agriculture, forestry and other land use accounted for around 23% of total manmade green-house gas emissions from 2007 – 2016. A 2019 report from the IPCC estimates that emissions from the global food system, including upstream and downstream activities, account for between 21 to 37% of manmade emissions. These emissions are driven primarily by the meat and dairy sector, and global meat consumption is growing. Emissions can be substantially lowered through dietary changes, reduction in food waste, reducing land degradation and reducing the impact of the agricultural supply chain.

In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream and the energy performance of existing buildings greatly improved through refurbishments. The building sector accounts for over 40% of primary energy consumption in most countries. Efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand – in addition to improvements in lighting and appliances and increased renewable heat sources.³ Energy efficiency improvements in buildings are thus important building blocks towards reaching the 2°C goal.

In Sweden, the residential and service sectors account for almost 40% of the total energy use (Source: Swedish Energy Agency, “Energy in Sweden 2017”). Although heating-related GHG emissions have been dramatically reduced since the transition from oil-based heating to district heating during the 1990’s, energy consumption in buildings still has potential to improve. One of the ways of encouraging greater energy efficiency focus is through the use of energy performance certificates – or EPCs. EPCs have been a legal requirement in Sweden since 2006 and categorize a property on a range from A (low energy consumption) to G (high energy consumption). A building that has an energy consumption corresponding to the requirement imposed on a newly built building is placed in energy class C.

Properties can choose to be certified according to other sustainability schemes as well, such as the Sweden-specific *Miljöbyggnad* (in addition to energy use, indoor climate and material use are assessed), the Nordic Swan (*Svanen*) system, Passive House, Green Building, LEED, BREEAM or BREEAM-SE. These schemes provide varying degrees of measurement of the environmental footprint of a building, including energy use. Some are more stringent than others and also offer internal gradings (excellent-good, platinum-silver, etc.).

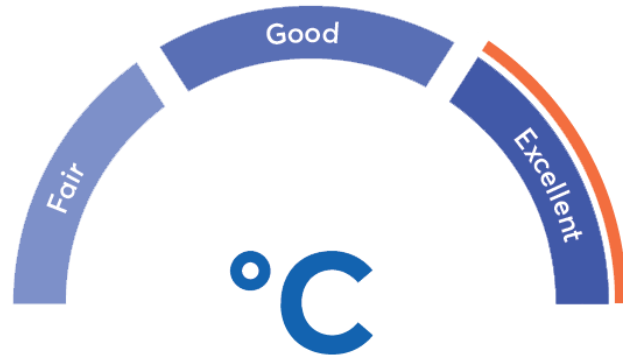
Governance Assessment

Four aspects are studied when assessing the Sparbanken Skåne’s governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent.

³ <http://www.iea.org/tcep>



Sparbanken Skåne has in place comprehensive policies and procedures. The bank has quantified targets for reducing its direct emissions and requires suppliers to abide by its code of conduct. The bank reports on progress towards the targets and follows up suppliers regarding their adherence to the code of conduct. Sparbanken Skåne assesses the sustainability governance of loan applicants as well as the sustainability risks applicants are exposed to. This is integrated into the credit model. The bank reports on some direct emissions and emissions from purchased electricity. The bank's annual sustainability report follows the GRI core principles. Some of the members on the Green Committee have formal environmental competence and decisions are taken in consensus. The management of proceeds is in accordance with the Green Bond principles. The issuer will publish annual reporting on allocations and impacts on a portfolio basis. The annual reports will be subject to external reviews.



The overall assessment of Sparbanken Skåne's governance structure and processes gives it a rating of **Excellent**.

Strengths

The bank assesses the sustainability profile of all loan applicants. This assessment is integrated in the credit model which Sparbanken Skåne shares with Swedbank. The credit model requires client officers to assess loan applicants' sustainability governance, also taking into account sustainability risks which are defined for a number of specific sectors, and clients' preparedness to address these risks. The credit model also incorporates Swedbank's list of excluded sectors. The sustainability analysis is summarized in a binary rating and forms part of the case documentation to be presented to the decision-making credit committee. According to the bank, the sustainability analysis is also used to engage with customers in order to explore ways in which the sustainability profile could be improved. If clients apply for a green loan a separate credit form needs to be completed by the bank's client officer. This form mirrors the project categories and eligibility criteria defined in this framework.

The bank undertakes wide reaching efforts to include sustainability considerations into its own operations. This includes the definition of quantified targets for reducing activities such as travel or the use of materials and electricity. The bank also includes its suppliers into the scope of sustainability considerations. Regarding the electricity demand, the bank has signed a long-term power purchase agreement with a utility scale solar PV plant in Sweden to cover the banks electricity demand with renewable energy over the next 10 years. Regarding procurement of materials the bank requires all suppliers to sign its code of conduct for suppliers, which is based on the principles of the UN Global Compact and the core principles of the International Labor Organization. The bank follows up on suppliers' compliance with the code of conduct through unannounced phone calls. The bank reports on its sustainability targets annually. Employees have received training in sustainability considerations conducted by PwC.

Weaknesses

There are no apparent weaknesses in the framework.



Pitfalls

The project category Sustainable Agriculture restricts the use of proceeds to projects certified under the EU organic farming⁴ and the KRAV label. Organic farming pursues several goals, such as consumers' health, animal welfare, local environmental considerations as well as climate impacts. The variety of goals means a variety of related strategies and management plans at the farm level. The scientific community currently does not have the tools and methods to capture this variety. Therefore, there is currently a lack of scientific proof that organic food production is overall more environmentally friendly compared to conventional food production.⁵ One example for the complexity of measuring the climate and environmental footprint is the use of certain artificial fertilizers. There are considerable greenhouse gas emissions connected to the production and use of some fertilizers, and their use is restricted under the eligible labels. The recommended replacement, animal manure, stems among other sources from cattle. Cattle is one of the major sources of greenhouse gas emissions in agriculture in the form of methane. Increased demand for manure would increase the need for cattle, and due to restrictions in the organic labels, these cattle can only be fed with organic feed. Growing organic feed in return increases the need for manure as a fertilizer. In conclusion, this project category is shaded light to medium green because there are positive elements from a climate and environmental perspective. Land use change as one of the major sources of emissions, such as draining of wetlands, is not relevant for eligible projects. The KRAV label has a strong focus on reducing emissions from energy use. Both labels tend to lower the number of cattle per land unit. Both eligible labels restrict the use of some types of fertilizers. This is positive seen in isolation, however, there is a risk of rebound effects connected to increased need for manure when applied on a large scale.

The project category Pollution Prevention and Control contains district heating. According to the issuer, this includes the incineration of waste as a source of heat. Waste incineration with energy recovery is a sound environmental and climate friendly option to divert waste away from landfills. Waste incineration is however best combined with ambitious recycling policies. When the capacity for waste incineration is high, it might be an incentive to prioritize incineration of waste for energy purposes over recycling, which is counterproductive. Waste incineration projects should avoid the transportation of waste over long distances to the incineration point. In a carbon neutral, climate resilient circular economy high degrees of recycling of energy rich materials are achieved.

The issuer informed us that Sparbanken Skåne currently does not have any exposure in waste-to-energy and has therefore not developed any policies or guidelines for financing such projects. This means that the bank may not have an overview over the potential amounts and shares of plastics being burned should such a project seek financing.

The bank informs us that potential projects are likely to be located in Skåne and greater Southern Sweden. This means that Sweden's national laws and regulations for waste handling and incineration apply. We encourage the issuer to develop policies proactively. Policies should aim to increase the shares of waste being recycled and avoid creating incentives for waste incineration.

The category sustainable transport defines vehicles that run on biofuels as eligible. According to the issuer, Sparbanken Skåne currently does not have any policies or guidelines for the characteristics of biofuels. The raw materials for biofuels should be sourced sustainably and locally in order to avoid deforestation, crowding out of food crops and transport emissions. The issuer informed us that there is currently no exposure to vehicles that run on biofuels. We encourage the issuer to develop policies and guidelines proactively and to become familiarized with existing certification schemes.

Voluntary environmental certifications such as LEED and BREEAM or equivalents that measure or estimate the environmental footprint of buildings and raise awareness of environmental issues. These certifications however fall short of guaranteeing an environmentally friendly building. Therefore, CICERO also looks at the energy efficiency improvements of the building and targets that exceed regulations. In a low carbon 2050 perspective, the energy performance of buildings is expected to be improved, with passive house technology becoming mainstream

⁴ Council Regulation (EC) No 834/2007; COMMISSION REGULATION (EC) No 889/2008

⁵ <https://www.sciencedaily.com/releases/2018/12/181213101308.htm>



and the energy performance of existing buildings greatly improved through refurbishments. According to the International Energy Agency (IEA), efficiency of buildings needs to improve by 30% by 2025 in order to reach the Paris Agreement well below 2°C climate goal⁶. We also assess if there is any screening for potential impacts from more extreme weather events, such as flooding. Flood risk for properties, is of particular concern in vulnerable geographic regions such as close to rivers exposed to flood risks. We also factor in if there have been any considerations around transportation solutions and environmental impacts in the construction phase of the building (building material and waste considerations). CICERO Dark Green shading is in particular difficult to achieve in the building sector because buildings have a long lifetime. CICERO Dark Green shading in the building sector should therefore conform to strict measures and is reserved for the highest building standards such as LEED Platinum, Zero-Energy buildings and passive houses.

⁶ <https://www.iea.org/tcep/>



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Sparbanken Skåne GBF	The Green Bond Framework
2	Hållbarhetspolicy	The sustainability policy of Sparbanken Skåne
3	Hållbarhetsredovisning 2018	Sparbanken Skåne's sustainability report 2018
4	Organisation i Sparbanken Skåne AB	Organizational chart and description of responsibilities
5	Projekt- Gröna obligationer	Internal project plan to establish a green bond framework, and the considerations and decisions this involves.
6	Inköp och upphandling	Sparbanken Skåne's procurement policy
7	Blankett ansökan grön kredit	Internal check list form for applications for green loans
8	Template Sustainability analysis	Section of the credit model covering parts of the sustainability analysis
9	hållbarhetsanalys i beslutsunderlag, entreprenadverksamhet / real estate / agriculture	Sustainability analysis for contractors/ real estate / agriculture; documentation for decision making body



Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).

