

Second-Party Opinion

Spar Nord Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Spar Nord 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 – Clean Transportation, Green and Energy-Efficient Buildings, Renewable Energy, and Sustainable Water, Sewage and Waste Management – 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 6, 7, 9, 11 and 12.



PROJECT EVALUATION AND SELECTION Spar Nord’s Committee for Sustainable Finance will be responsible for the evaluation and selection of assets and projects in line with the Framework’s eligibility criteria. Further, the Committee is responsible for managing and mitigating environmental and social risks. Sustainalytics considers Spar Nord’s risk management systems to be adequate, and the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Spar Nord’s Market Risk Committee will be responsible for managing proceeds using a portfolio approach and tracking their allocation using a register. Spar Nord intends to fully allocate proceeds at the time of issuance. Unallocated proceeds (if any) will be temporarily held or invested in cash, short-term deposits or longer-dated liquid securities in accordance with Spar Nord’s liquidity portfolio. Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.



REPORTING Spar Nord commits to report on the allocation of proceeds and corresponding impact in a green bond report on an annual basis until full allocation. Allocation reporting will include the outstanding amount of green bonds, the allocation of green bond net proceeds to each green loan category, the balance of green loans, the balance of unallocated proceeds (if any), as well as estimated EU taxonomy eligibility and alignment of green loans on a best-efforts basis. Sustainalytics considers this to be in line with market practice.

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Issuer Location	North Jutland, Denmark

Report Sections

Introduction.....	2
Sustainalytics’ Opinion	3

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Introduction

Spar Nord Bank A/S (“Spar Nord” or the “Bank”) is a commercial bank headquartered in North Jutland, Denmark. Founded in 1824, the Bank provides banking services for retail customers and SMEs in Denmark. As of December 2023, Spar Nord has 1,703 employees and operates through 62 local branches.¹

Spar Nord has developed the Spar Nord Green Bond Framework dated March 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 in Denmark, which are expected to deliver positive environmental impacts. The Framework defines eligibility criteria in four areas:

1. Clean Transportation
2. Green and Energy Efficient Buildings
3. Renewable Energy
4. Sustainable Water, Sewage and Waste Management

Spar Nord 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).² The Framework will be published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 1.15, 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 Spar Nord’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Spar Nord representatives have confirmed (1) they understand it is the sole responsibility of Spar Nord 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 Spar Nord.

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 standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond 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 realized allocation of the bond proceeds towards eligible activities.

¹ Spar Nord, “Annual Report 2023”, at: https://media.sparnord.dk/com/investor/financial_communication/reports/2023/Q4_2023_eng.pdf

² 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/>.

³ The Spar Nord Green Bond Framework will be made available on Spar Nord’s website, at: <https://www.sparnord.com/investor-relations/debt-and-rating>

⁴ 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.

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 Spar Nord has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Spar Nord Green Bond Framework

Sustainalytics is of the opinion that the Spar Nord Green Bond Framework is credible and impactful and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Green and Energy Efficient Buildings, Renewable Energy, and Sustainable Water, Sewage and Waste Management – are aligned with those recognized by the GBP.
 - Spar Nord has communicated to Sustainalytics that it will limit refinancing under the Framework to capital expenditures.
 - In addition to the allocation of net proceeds to specific eligible projects or assets, Spar Nord also intends to use proceeds for general corporate purpose loans for pure play businesses that derive at least 90% of their revenue from activities identified in the eligible categories. Sustainalytics acknowledges that financing pure play companies through green bonds is a commonly accepted approach, which is likely to generate positive impacts, however, project- and activity-based lending generally results in more direct environmental benefits and enhanced compliance with eligibility criteria.
 - The Framework excludes expenditures related to: i) controversial weapons, including cluster munitions, landmines, chemical and biological weapons, and nuclear weapons outside the non-proliferation treaty; ii) exploration, extraction or production of unconventional oil and gas, including tar sands, shale oil, shale gas, arctic oil and gas, and deep-sea oil and gas; iii) companies with more than 5% of their revenue derived from coal mining, oil sands and arctic drilling; iv) companies or countries that violate international standards and conventions, including the UN Global Compact, the UN's Declaration of Human Rights, the OECD's Guidelines for Multinational Companies, the ILO Labour Market Conventions, as well as EU sanctions.
 - Spar Nord has confirmed that there will be no double-counting of financed projects or assets across categories listed under the Framework.
 - Under the Clean Transportation category, Spar Nord may finance or refinance: i) passenger cars, light commercial vehicles, buses, trucks and personal mobility devices with zero emissions; and ii) charging points for electric vehicles. Spar Nord has confirmed the exclusion of financing parking infrastructure, fossil fuel stations and other assets, which prolong the life or facilitate the use of fossil fuel-powered transportation. Sustainalytics considers this to be in line with market practice.
 - Under the Green and Energy Efficient Buildings category, Spar Nord may finance or refinance: i) the acquisition and development of new and existing residential and commercial buildings; ii) building renovations; iii) the installation, maintenance and repair of energy efficiency and energy performance measuring equipment; and iv) solar photovoltaic power (PV).
 - Buildings built on or after 31 December 2020:
 - Buildings with primary energy demand (PED) at least 10% lower than the PED resulting from the local nearly zero-energy building (NZEB) requirements.
 - Buildings certified or intended to be certified to DGNB Gold or above.⁵ Sustainalytics views this certification scheme to be robust and credible.
 - Buildings built before 31 December 2020:
 - Buildings that have obtained EPC A or in the top 15% most energy-efficient buildings in the relevant area based on PED.

⁵ DGNB: <https://www.dgnb.de/en/building-certification>

- Buildings certified or intended to be certified to DGNB Gold or above.⁶ Sustainalytics views this certification scheme to be robust and credible.
- Renovations that lead to a minimum 30% improvement in energy consumption compared to pre-renovation levels. The Bank has confirmed to Sustainalytics that only renovation costs and not entire asset values will be financed as part of renovation activities.
- Energy efficiency equipment: i) smart lighting solutions; ii) buildings management systems; iii) insulation products with low thermal conductivity; iv) high efficiency doors and windows with low U-value; v) electric powered district heating and cooling installations, associated equipment and distribution networks powered primarily by renewables, waste heat or both; vi) HVAC systems; and vii) and water heating systems.⁷ Sustainalytics encourages Spar Nord to prioritize district heating and cooling systems that utilize heat or cool from renewable energy or waste heat sources. Spar Nord has confirmed the exclusion of waste heat from fossil fuel operations, as well as the financing of energy efficiency technologies intended for processes that are inherently carbon intensive, primarily driven or powered by fossil fuels. Further, Spar Nord has communicated that energy efficiency equipment is aligned with the guidance set by the Danish Energy Agency in agreement with Danish grid and distribution companies.^{8,9}
- Sustainalytics considers this to be in line with market practice.
- Under the Renewable Energy category, Spar Nord may finance or refinance loans for the development of renewable energy projects and associated facilities and infrastructure in accordance with the following criteria:
 - Onshore and offshore wind energy.
 - Solar PVs, concentrated solar power (CSP) and solar thermal plants. For CSP and solar thermal plants, Spar Nord has confirmed that at least 85% of electricity generated is derived from solar energy sources.
 - District heating and cooling systems using 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of energy and heat. Spar Nord has confirmed the exclusion of financing waste heat from fossil fuel operations or natural gas. Further, Sustainalytics notes that cogenerated heat could include energy coming from fossil fuel power plants or bioenergy. Therefore, Sustainalytics encourages the issuer to prioritize systems that utilize heat or cool from renewable energy or waste heat sources.
 - Bioenergy projects: i) electricity generation using forestry and agricultural residues, including wood pellets, wood chips, and straw; and ii) construction and operation of biogas production facilities.
 - Life cycle emissions intensity related to electricity generation will be below 100 gCO₂/kWh.
 - Biogas^{10,11} and digestate production through anaerobic digestion, using waste segregated at source, animal manure, wastewater or sewage sludge as biomass. Wastewater and sewage sludge will exclude wastewater from fossil fuel operations. Sustainalytics notes that while the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such farming techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation to provide positive impacts in the short term.
 - Spar Nord will prioritize biomass certified by internationally recognized certification schemes, such as the International Sustainability and Carbon

⁶ DGNB: <https://www.dgnb.de/en/building-certification>

⁷ Spar Nord has confirmed the exclusion of water heating systems powered by fossil fuels.

⁸ Danish Energy Agency, "Standard value catalog", at: https://ens.dk/sites/ens.dk/files/Energibesparelser/standardvaerdikatalog_ver_7.0_gældende_pr_01.02.2018.pdf

⁹ Sustainalytics has only assessed those expenditures linked to energy efficiency equipment that were communicated by Spar Nord.

¹⁰ Spar Nord has confirmed that the production of biogas complies with the Danish 'executive order on sustainable production of biogas', available at: <https://www.retsinformation.dk/eli/ta/2015/301>

¹¹ Spar Nord has confirmed that the production of biogas complies with the Danish 'executive order on sustainability and saving of greenhouse gas emissions for biomass fuels and bioliquids for energy purposes', available at: <https://www.retsinformation.dk/eli/ta/2022/1535>

- Certification Plus,¹² the Sustainable Biomass Partnership,¹³ the Roundtable on Sustainable Biomaterials,¹⁴ the Forest Stewardship Council,¹⁵ or the Programme for Endorsement of Forest Certification.¹⁶
- Electric heat pumps with refrigerants that have a global warming potential (GWP) not exceeding 675, including heat pumps installed as part of a district heating system. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends the Bank to prioritize financing of heat pumps that promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
 - Manufacturing of components dedicated to solar and wind energy technologies, including PV cells, wind turbines and platforms. Spar Nord has confirmed to Sustainalytics that the financed facilities will be wholly dedicated to the manufacturing of components for renewable energy technologies.
 - Sustainalytics considers this to be in line with market practice.
- Under the Sustainable Water, Sewage and Waste Management category, Spar Nord may finance or refinance the construction, development, expansion or maintenance of facilities and technologies, in accordance with the following criteria:
- Water and wastewater treatment aimed at improving drinking water quality, fresh water supply and increased water use efficiency: i) water and wastewater treatment plants; ii) wastewater sewage lines and urban drainage systems; and iii) sludge mineralization. Sustainalytics notes that the treatment of wastewater from fossil fuel operations, such as produced water from fracking, as well as sewage sludge from fossil fuel operations will be excluded.
 - Water storage and distribution infrastructure: i) rainwater basins; ii) rainwater saving pools; iii) pumping stations; and iv) gravity-fed canals.
 - Water monitoring and loss management including leakage control, metering, monitoring, reporting, digitalization and automation. Spar Nord has confirmed the exclusion of application in hard-to-abate industries.
 - Waste management: i) reuse and recycling of non-hazardous construction and residual waste, including wood and plastic; and ii) waste recovery converting at least 50% of processed waste into secondary raw materials. Segregation of waste will be carried out at source and for waste-to-energy projects, recyclables including plastics and metals will be segregated.
 - Spar Nord has confirmed the following exclusions: i) refurbishment, reconditioning and repair of products specifically for use in the extraction of fossil fuels or that inherently rely on fossil fuels; ii) chemical recycling of plastic; and iii) e-waste management.
 - Sustainalytics considers this to be in line with market practice.
- Project Evaluation and Selection:
 - The Bank's Committee for Sustainable Finance will be responsible for the evaluation and selection of eligible projects in line with the Framework's eligibility criteria. The Committee is comprised of members of the Bank's Executive Board and representatives of relevant business units, such as advisory services, data collection, credit-granting and risk management.
 - The Committee is also responsible for managing and mitigating environmental and social risks associated with the eligible assets and projects. For additional details on risk management systems, please refer to Section 2.
 - Based on the delegation of responsibility and the presence of environment and social risk management systems, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Spar Nord's Market Risk Committee will be responsible for the management and allocation of proceeds to eligible projects using a portfolio approach. The Bank will track and report the allocation of proceeds through an internal tracking system, using a register of eligible assets.

¹² ISCC: <https://www.iscc-system.org/certification/certificate-database/all-certificates/>

¹³ Sustainable Biomass Partnership: <https://sbp-cert.org/>

¹⁴ Roundtable on Sustainable Biomaterials Standard: <https://rsb.org/>

¹⁵ Forest Stewardship Council: <https://fsc.org/en/fsc-standards>

¹⁶ PEFC: <https://www.pefc.org/>

- The Bank intends to fully allocate the net proceeds at the time of issuance. Unallocated proceeds (if any) may be temporarily held or invested in cash, short-term deposits or longer dated liquid securities in accordance with its liquidity portfolio.
- Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Bank commits to report on the allocation of proceeds and corresponding impact in a green bond report on an annual basis until full allocation of bond proceeds, publicly available on the Bank's website.
 - Allocation reporting will include: i) the outstanding amount of green bonds; ii) the total allocation of green bond net proceeds to each green loan category; iii) the balance of green loans; iv) the balance of unallocated proceeds (if any); and v) estimated taxonomy eligibility and alignment of green loans on a best-efforts basis. The Bank will appoint an independent external party for its allocation report verification.
 - Impact Reporting will include: i) annual GHG emissions avoided (in tonnes per year or tCO₂e); ii) reduction in energy use (in kWh per year); iii) renewable energy generation (in MWh per year); iv) installed renewable energy capacity (in MW); v) annual amount of wastewater treated, reused or avoided (in m³ or in percentage); vi) annual amount of water saved (in m³ or in percentage); and vii) annual amount of recycled material (in tonnes), where feasible.
 - Based on the allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

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

Section 2: Sustainability Strategy of Spar Nord

Contribution to Spar Nord's sustainability strategy

Sustainalytics is of the opinion that Spar Nord demonstrates a commitment to sustainability through reducing GHG emissions across its: i) investment activities; ii) lending activities; and iii) own operations.¹⁷ Spar Nord supports the targets established under the Danish Climate Act¹⁸ and the Paris Agreement on climate neutrality by 2050. Further, Spar Nord supports sustainable development through projects under the delegation of the Export and Investment Fund of Denmark.¹⁹

Spar Nord has set the following GHG emissions reduction targets in 2021: i) reduce financed GHG emissions from investments in shares and corporate bonds by 30% and 60% by 2025 and 2030 respectively, as compared to a 2020 baseline; ii) reduce financed GHG emissions from lending by 20% and 45% by 2025 and 2030 respectively, as compared to a 2021 baseline; and iii) dedicate 80% of all new car loans to the financing of electric or plug-in-hybrid vehicles by 2025.²⁰ By 2023, Spar Nord has achieved a 19% reduction of financed emissions linked to its lending activities, as compared to a 2021 baseline. Further, Spar Nord has implemented a digital tool in 2023, which supports its business customers in capturing ESG data, including ESG data related to suppliers, and ensuring that respective ESG requirements are met.²¹ According to Spar Nord's impact analysis conducted in 2023, a total volume of DKK 122.1 billion (USD 17.71 billion) was assessed for financed emissions related to the Bank's lending and investment activities, as compared to a total DKK 107 billion (USD 15.69 billion) in 2022.²²

The Bank is a signatory to the UN Global Compact and the UN Principles for Responsible Investment since 2020, and the UN Principles for Responsible Banking since 2021. Further, Spar Nord follows the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labor Organization standards.

Sustainalytics is of the opinion that the Spar Nord Green Bond Framework is aligned with the Bank's overall sustainability commitment and initiatives and will further Spar Nord's action on its key environmental priorities.

¹⁷ Spar Nord, "Annual Report 2023", at: https://media.sparnord.dk/com/investor/financial_communication/reports/2023/Q4_2023_eng.pdf

¹⁸ Danish Ministry of Climate, Energy and Utilities, "Climate Act", (2020), at: https://en.kefm.dk/Media/1/B/Climate%20Act_Denmark%20-%20WEBTILG%C3%86NGELIG-A.pdf

¹⁹ Spar Nord, "Annual Report 2023", at: https://media.sparnord.dk/com/investor/financial_communication/reports/2023/Q4_2023_eng.pdf

²⁰ Ibid.

²¹ Ibid.

²² Spar Nord, "Impact Analysis 2023", at: <https://media.sparnord.dk/com/aboutsparnord/esg/impactanalysis2023.pdf>

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Sustainalytics acknowledges that Spar Nord 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 include: i) land use and biodiversity loss associated with large infrastructure projects; ii) emissions, effluents and waste; iii) occupational health and safety (OHS); iv) business ethics; and v) predatory lending.

Sustainalytics is of the opinion that Spar Nord is able to manage and mitigate potential risks through implementation of the following:

- Spar Nord has developed an ESG Policy, which ensures the consideration of sustainability risks in the decision-making processes linked to credit granting and product approval.²³ The Bank analyzes sustainability risks before making the decision to invest in a company and monitors potential impact on sustainability risk in its investment portfolios.²⁴ Sustainability risks are classified as per asset class of asset, industry and country, as outlined in Spar Nord's Policy for Responsible Investment.²⁵ The Bank's environmental risk management includes the assessment of physical and transition climate change risks on individual customer and portfolio level.²⁶
- Following the UN Principles for Responsible Banking, Spar Nord has identified nature as one of the Bank's key impact areas, with the focus on related environmental challenges, such as the extraction of nutrients, draining of water courses, deforestation, resource utilization and circularity. Moreover, the Environmental Impact Assessment Directive 2014/52/EU has been implemented in Denmark.²⁷ Further, Sustainalytics notes that financing under the Framework will take place in Denmark, which is recognized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance legislation systems in institutional capacity to mitigate common environmental and social risks.²⁸
- To address risks related to emissions, effluents and waste, Spar Nord commits to monitor GHG emissions, waste, recycling and disposal volumes, with the aim of minimizing negative environmental impacts in those focus areas, in line with its Environment and Climate Policy. In terms of emissions, Spar Nord commits to collect necessary data for the Bank's overview of its current and future scope 1, 2 and 3 carbon emissions.²⁹ Further, Spar Nord conducts an impact analysis since 2021, which estimates the Bank's financed emissions from lending and investments.³⁰
- Regarding risks related to OHS, Spar Nord's Policy for a Responsible Working Environment outlines standards for a healthy and safe working environment.³¹ Further, Spar Nord safeguards the protection of employee well-being as part of its ESG Policy.³²
- With respect to business ethics and predatory lending, Spar Nord's Policy on Sound Business Culture guides the Bank's employees and external partners on ethical behaviour and inclusiveness, and sets standards to prevent money laundering, corruption, bribery, breach of sanctions and other types of financial crime.³³ Further, Spar Nord's Policy for Responsible Investment aims to embed ESG issues in its lending and investment processes, as well as to provide information in a responsible and transparent manner.³⁴

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Spar Nord has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

²³ Spar Nord, "ESG Policy", (2022), at: <https://media.sparnord.dk/dk/omsparnord/csr/esg-policy.pdf>

²⁴ Spar Nord, "Statement on the consideration for the principal adverse impacts on sustainability factors (ESG)", (2022), at: <https://media.sparnord.dk/dk/omsparnord/csr/statement-on-consideration-for-the-principal-adverse-impacts-on-sustainability-factors.pdf>

²⁵ Spar Nord, "Policy for Responsible Investment", (2023), at: <https://media.sparnord.dk/dk/omsparnord/csr/responsible-investment.pdf>

²⁶ Spar Nord, "Annual Report 2023", at: https://media.sparnord.dk/com/investor/financial_communication/reports/2023/Q4_2023_eng.pdf

²⁷ EUR-Lex, "Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment Text with EEA relevance – National transposition", at: <https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=celex:32014L0052>

²⁸ Equator Principles: <https://equator-principles.com/about-the-equator-principles/>

²⁹ Spar Nord, "Environment and Climate Policy", (2022), at: <https://media.sparnord.dk/dk/omsparnord/csr/environmental-and-climate-policy.pdf>

³⁰ Spar Nord, "Annual Report 2023", at: https://media.sparnord.dk/com/investor/financial_communication/reports/2023/Q4_2023_eng.pdf

³¹ Spar Nord, "Policy for a responsible working environment", (2023), at: <https://media.sparnord.dk/dk/omsparnord/csr/responsible-working-environment.pdf>

³² Spar Nord, "ESG Policy", (2022), at: <https://media.sparnord.dk/dk/omsparnord/csr/esg-policy.pdf>

³³ Spar Nord, "Policy on Sound Business Culture of Spar Nord", (2023), at: <https://media.sparnord.dk/dk/omsparnord/csr/sound-business-culture.pdf>

³⁴ Spar Nord, "Policy for Responsible Investment", (2023), at: <https://media.sparnord.dk/dk/omsparnord/csr/responsible-investment.pdf>

Section 3: Impact of Use of Proceeds

All four 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 clean transportation in Denmark

The transport sector accounts for more than 23% of the EU’s GHG emissions,³⁵ with road transport accounting for approximately 76%.³⁶ To achieve climate neutrality under the EU Green Deal by 2050, GHG emissions from the transport sector must be reduced by 90%, as compared to 1990 levels.³⁷

In 2022, the Danish transport sector accounted for 29% of the country’s total GHG emissions, making it the country’s highest emitting sector.³⁸ To reduce transport-related GHG emissions, Denmark has set the 2030 target to have 1 million zero emission passenger cars and light commercial vehicles on the roads in Denmark and end the sale of new petrol and diesel cars from 2030 onwards.³⁹ In 2021, The Danish Government established the Danish Recovery and Resilience Plan aimed at allocating DKK 11.6 billion (USD 1.68 billion) to fund green agreements, such as the agreement on a green tax reform, and the agreement on green road transportation.⁴⁰ The green tax reform aims to introduce a carbon tax in the transport sector, starting from 2025.⁴¹ The green road transport agreement aims to include a new kilometre-based and CO₂-differentiated toll plan for trucks, beginning 2025, which replaces the old toll tax plan. The Danish Recovery and Resilience Plan also includes a change in national regulations for the weight and dimensions of trucks in road freight transportation and streamlining the road freight transportation to contribute to CO₂ emissions reduction.⁴² Furthermore, to reduce emissions in transport sector, in 2021, the Government developed the Infrastructure Plan 2035, aiming to co-finance publicly accessible charging infrastructures and renewable refuelling stations.⁴³

In this context, Sustainalytics is of the opinion that Spar Nord’s investments in clean transportation projects have the potential to reduce the environmental footprint of Denmark’s transport sector and will contribute to Denmark’s climate-related objectives.

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 Spar Nord Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 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
Green and Energy Efficient Buildings	9. Industry, Innovation and Infrastructure	9.4 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

³⁵ World Economic Forum, “The European Union has cut greenhouse gas emissions in every sector - except this one”, (2022), at: <https://www.weforum.org/agenda/2022/09/eu-greenhouse-gas-emissions-transport/>

³⁶ European Environment Agency, “Greenhouse gas emissions from transport in Europe”, (2023), at: <https://www.eea.europa.eu/en/analysis/indicators/greenhouse-gas-emissions-from-transport?activeAccordion=546a7c35-9188-4d23-94ee-005d97c26f2b>

³⁷ European Commission, “Factsheet – The Transport and Mobility Sector”, (2020), at: <https://ec.europa.eu/commission/presscorner/api/files/attachment/867229/Factsheet%20-%20The%20Transport%20and%20Mobility%20Sector.pdf.pdf>

³⁸ OECD, “Towards net zero emissions in Denmark”, (2022), at: https://www.oecd-ilibrary.org/economics/towards-net-zero-emissions-in-denmark_5b40df8f-en

³⁹ International Energy Agency, “Electric vehicle deployment policies and measures”, at: <https://iea.blob.core.windows.net/assets/578ec559-d605-4568-a20d-ab02a11fa1d1/GlobalEVpolicyexplorer.pdf>

⁴⁰ Danish Government, “Denmark’s National Reform Programme 2023”, (2023), at: https://commission.europa.eu/system/files/2023-05/2023-Denmark-NRP_en.pdf

⁴¹ International Energy Agency, “Denmark 2023 - Executive Summary”, (2023), at: <https://www.iea.org/reports/denmark-2023/executive-summary>

⁴² Danish Government, “Denmark’s National Reform Programme 2023”, (2023), at: https://commission.europa.eu/system/files/2023-05/2023-Denmark-NRP_en.pdf

⁴³ International Energy Agency, “Infrastructure Plan 2035”, (2023), at: <https://prod.iea.org/policies/14447-infrastructure-plan-2035>

Renewable Energy	7. Affordable and Clean Energy	7.2 Increase substantially the share of renewable energy in the global energy mix
Sustainable Water, Sewage and Waste Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Spar Nord has developed the Spar Nord Green Bond Framework, under which it may issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects in Denmark that are expected to deliver positive environmental impact.

The Spar Nord Green Bond Framework outlines a process for tracking, allocation and management of proceeds, and includes commitments for reporting on allocation and impact. Sustainalytics considers that the Spar Nord Green Bond Framework is aligned with the overall sustainability strategy of Spar Nord and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Spar Nord 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 Spar Nord is well positioned to issue green bonds and that its Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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