

## SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Sparbanken Alingsås AB

12 December 2023

### VERIFICATION PARAMETERS

**Type(s) of instruments contemplated**

- Green Bonds

**Relevant standards**

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

**Scope of verification**

- Sparbanken Alingsås AB's Green Bond Framework (as of December 7, 2023)
- Sparbanken Alingsås AB' Eligibility Criteria (as of December 7, 2023)

**Lifecycle**

- Pre-issuance verification

**Validity**

- Valid as long as the cited Framework remains unchanged

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## SCOPE OF WORK

Sparbanken Alingsås AB (“the Issuer”, “Sparbanken Alingsås”, or “the Bank”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Bonds by assessing three core elements to determine the sustainability quality of the instruments:

1. Sparbanken Alingsås’ Green Bond Framework (as of December 7, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Sparbanken Alingsås’ overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## SPARBANKEN ALINGSÅS AB’S BUSINESS OVERVIEW

Sparbanken Alingsås AB is a regional independent savings bank that is headquartered in Alingsås, Sweden, and is classified in the Public and Regional Banks industry per ISS ESG’s sector classification.

The bank provides various financial services such as private loans, business loans, mortgage loans, savings, investments, legal advice, insurance, and pensions. As of 30<sup>th</sup> June 2023, the bank had a total operating income of SEK 147.4 million and total assets worth SEK 19,043 million.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP</b></p>	<p>The Issuer has defined a formal concept for its Green Bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.</p>	<p><b>Aligned</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Eligibility Criteria</b></p>	<p>The Green Bonds will (re)finance eligible asset categories which include:</p> <p>Green Buildings, Sustainable Agriculture, Energy Efficiency, Clean Transportation, Renewable Energy.</p> <p>Product and/or service-related use of proceeds categories<sup>2</sup> individually contribute to one or more of the following SDGs:</p>  <p>Other use of proceeds categories<sup>3</sup> improve the operational impacts of Sparbanken Alingsås' Borrowers(s) and mitigate potential negative externalities of their sectors on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p><b>Positive</b></p>
<p><b>Part 3:</b></p> <p><b>Linking the transaction(s) to</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the</p>	<p><b>Consistent with Issuer's</b></p>

<sup>1</sup> The evaluation is based on the Sparbanken Alingsås' Green Bond Framework (December 2023 version), on the analysed Eligibility Criteria as received on December 7, 2023, and on the Indicative Corporate Rating applicable at the SPO delivery date.

<sup>2</sup> Green Buildings, Sustainable Agriculture, Energy Efficiency, Clean Transportation, Renewable Energy.

<sup>3</sup> Green Buildings (major renovations), Energy efficiency projects such as technology on energy storage, smart power grid solution, extension of district heating and cooling systems (from undefined energy sources), and heat pumps.

## SECOND PARTY OPINION

Sustainability Quality of the Issuer  
and Green Bond Framework

ISS-CORPORATE 

<b>Sparbanken Alingsås' ESG profile</b>	Issuer. All of the project categories considered are in line with the sustainability objectives of the Issuer.	<b>sustainability strategy</b>
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## SPO ASSESSMENT

### PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of Sparbanken Alingsås AB’s Green Bond Framework (as of December 7, 2023) with the Green Bond Principles (GBP).

GBP	ALIGNMENT	OPINION
<p><b>1. Use of Proceeds</b></p>	<p>✓</p>	<p>The Use of Proceeds description provided by Sparbanken Alingsås’ Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The Issuer’s green categories align with the project categories as proposed by the GBP. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category will be provided at pre-issuance during the investor presentation and environmental benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful projects categories, in line with best market practices.</p>
<p><b>2. Process for Project Evaluation and Selection</b></p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Sparbanken Alingsås’ Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer identifies alignment of its Green Bond Framework with the EU Taxonomy and involves various stakeholders in this process, in line with best market practices.</p>
<p><b>3. Management of Proceeds</b></p>	<p>✓</p>	<p>The Management of Proceeds provided by Sparbanken Alingsås’ Green Bond Framework is <b>aligned</b> with the GBP.</p>

		<p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer defined an expected allocation period of 12 months, in line with best market practices.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by Sparbanken Alingsås' Green Bond Framework is <b>aligned</b> with the GBP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. Sparbanken Alingsås explains that the level of expected reporting will be at the portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent about the information reported in the impact report, and defines the reporting frequency, level, and duration of the impact reporting, in line with best market practice. Furthermore, the Issuer commits to get the allocation report audited by an external party and discloses the location of the reports, in line with best market practices.</p>

## PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

### B. CONTRIBUTION OF THE GREEN BONDS TO THE UN SDGs<sup>4</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer’s products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bonds’ Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>New residential and commercial buildings (built after 31 December 2020):</i></p> <ul style="list-style-type: none"> <li>▪ <i>Primary Energy Demand (PED) at least 10% lower than the threshold set for Nearly</i></li> </ul>	<b>Contribution</b>	

<sup>4</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

*Zero-Energy Building (NZEB) according to national building regulations, or*

- *Energy Performance Certificate (EPC) A or B in Sweden,*

*Existing residential and commercial buildings (built before 31 December 2020):*

- *EPC A or EPC B or within top 15% of the national or regional building stock expressed as operational PED demonstrated by adequate evidence*

*New (built after 31 December 2020), and Existing (built before 31 December 2020) Residential and commercial Buildings*

*Buildings that meet the requirements of the following environmental certificates:*

*Passive House*

**Green Buildings**

*New residential and commercial buildings (built after 31 December 2020)*

*Buildings that meet the requirements of one of the following environmental certificates:*

- *Miljöbyggnad Silver or Nordic Swan Ecolabel or*
- *LEED Gold or BREEAM Very Good in combination with EPC B, or*
- *Other minimum equivalent<sup>5</sup> certification standard in terms of energy consumption after the completed construction, and*
- *For buildings larger than 5000m<sup>2</sup>, subject to data availability<sup>6</sup>:*
  - *The building undergoes testing for airtightness and thermal integrity, upon completion; and*
  - *The life-cycle Global Warming Potential (GWP) of the building resulting from the construction has*



<sup>5</sup> The assessment is limited to the certificates listed in this Framework.

<sup>6</sup> The Issuer noted that the assets will be located in Sweden, hence, in compliance with the Swedish Housing Agency's Ordinance (2021:789) on Climate Declaration for Buildings (Boverket's Förordning (2021:789) om klimatdeklaration för byggnade) to ensure data availability. Available at: <https://www.boverket.se/sv/klimatdeklaration/gor-sa-har/berakna/>

been calculated for each stage in the life cycle

**Green Buildings**

*Existing residential and commercial buildings (built before 21 December 2020)*

*Buildings that meet the requirements of one of the following environmental certificates:*

- *Miljöbyggnad Silver or Miljöbyggnad iDrift Silver or Nordic Swan Ecolabel or*
- *LEED Gold or BREEAM Very Good or BREEAM In Use Very Good in combination with EPC B, or*

*Other minimum equivalent certification standard in terms of energy consumption after the completed construction*

**Contribution**



**Sustainable Agriculture**

*Organic Farming certified according to national legislation or EU-legislation (i.e., KRAV certification<sup>7</sup>)*

**Contribution**



**Clean Transportation**

- *Fossil-free vehicles powered by electricity,*

**Contribution**



**Clean Transportation**

- *Public transportation vehicles powered by Hydrogenated Vegetable Oils (HVOs).*

**Contribution**



**Clean Transportation**

*Infrastructure for clean transportation including bicycle and pedestrian infrastructure and electric charging points*

**Contribution**



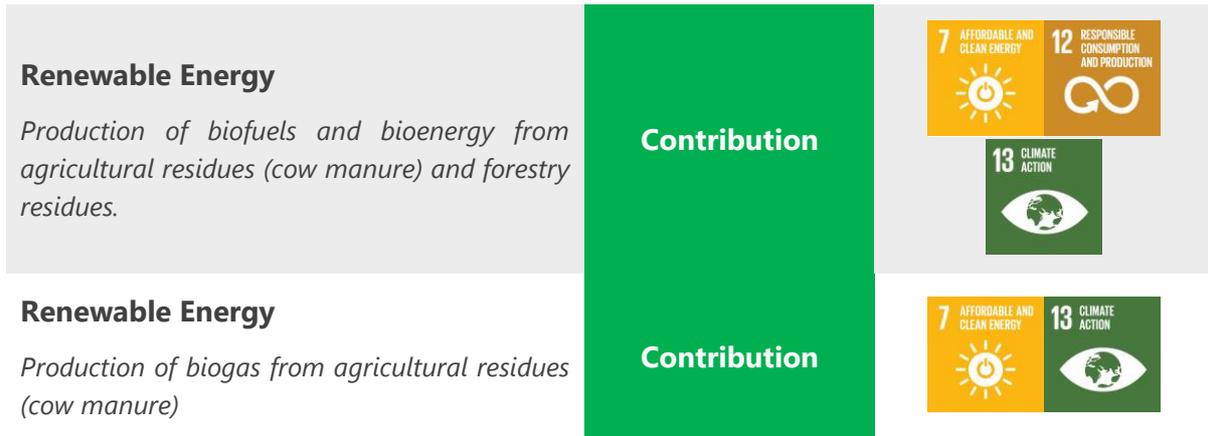
**Renewable Energy**

- *Solar Energy*
- *Wind power*

**Contribution**



<sup>7</sup> Ibid.



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer’s clients.

Sparbanken Alingsås finances operations/processes in a variety of third-party sectors. For clarity, ISS-Corporate does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>8</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Major renovations and re-construction leading to primary energy savings of at least 30%</i></p>		
<p><b>Energy Efficiency<sup>9</sup></b></p> <p><i>Energy efficiency projects such as technology on smart power grid solution, conversion to LED lighting, improvements in ventilation systems, extension of district heating and cooling systems, heat pumps</i></p>		

<sup>8</sup> Only the direction of change is displayed.

<sup>9</sup> Sparbanken Alingsås confirms that the projects financed under this category are individual loans for the Bank’s customers to finance energy efficiency improvements in buildings. The impact of this project category and the level of improvement will be reported annually based on the indicators of annual energy saved (MW) and estimated annual greenhouse gas emissions reduced (tCO<sub>2</sub>e).

## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. The entirety of the assets are and will be located in Sweden.

### ASSESSMENT AGAINST KPIs

#### ESG guidelines into financing process

Sparbanken Alingsås confirms that the projects financed under this Framework are and will be located in Sweden.

The Issuer has defined Sustainability Policy<sup>10</sup> and Credit Policy to identify risks and/or opportunities applicable to the assets underlying this specific transaction.

The Bank utilizes an ESG screening model (with assigned colors as red or green) which is tailor-made for individual sectors and industries with specific requirements that are relevant to the respective sector, before granting loans to customers to see if borrowers meet the Bank's Sustainability Policy and Credit Policy requirements. The detailed questions cover elements of 'Environment' (climate change and missions), 'Social' (labor standards, human rights), and 'Governance' (governance business ethics), and include indicators of (i) compliance with laws and regulations, (ii) compliance with Sparbanken Alingsås' policies and guidelines on sustainability, (iii) acceptable color (green) in Sparbanken Alingsås' ESG model, and (iv) eligibility under the Framework.

The Bank applies ESG screening to all new engagements over SEK 8 million (Swedish Krona) and has specific minimum requirements. Borrowers with red-colored ESG scores face higher risk assessments that can affect loan pricing and access to loans. There is also a follow-up procedure of engagements in the corporate market, defined by a number of criteria such as increased Anti Money Laundering (AML) risk, etc. The Bank conducts an annual review of a substantial portion of its portfolios to ensure compliance with ESG guidelines. If a violation of the guidelines is identified during the review, the Bank establishes a follow-up/incentive/reject procedure that leads to the withdrawal of a new loan as part of its Credit Policy.

#### ESG Guidelines into financing process for most sensitive sectors<sup>11</sup> financed under the Framework

As part of their risk assessment, environmental and social risks are required considerations for credit facilities and capital market transactions. Sparbanken Alingsås' approach to

<sup>10</sup> Sparbanken Sustainability Policy (Hållbarhetspolicy), June 2023, Available at <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE155783025>

<sup>11</sup> The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

environmental risk management addresses both direct and indirect risks and covers sensitive activities across different sectors.

### ESG Guidelines into Financing Process for Agriculture

The Bank and the projects that will be financed under this framework are located in Sweden, where Equator Principles are adopted. The principles cover (almost) all of the most relevant client-related sustainable management aspects for crop cultivation, such as water resources; water contamination and eutrophication; soil erosion and fertility; atmospheric emissions; responsible use of pesticides, herbicides, and fertilizers; alternatives to pesticides; herbicides, and fertilizers; crop rotation; polyculture farming instead of monoculture farming (crop diversity); and crop residues and solid waste.

Sparbanken Alingsås includes financing for Agriculture screening under its ESG assessment model for all new engagements over SEK 8 million (Swedish Krona) described above and does not have particular questions including detail coverage of crop cultivation, responsible use of pesticide, soil erosion, and such. However, the Bank requires all borrowers to comply with the relevant laws and principles. Considering all assets and borrowers will be located in Sweden, compliance with Equator Principles ensures this aspect of financing.

### Labour, Health and Safety



The Bank's borrowers will be located in Sweden, where high health & safety and labour standards are ensured by the relevant national legislation and the European Union mandatory social standards. Furthermore, Sweden has ratified all core International Labor Association's (ILO) core conventions, therefore all assets are obligated to comply with ILO requirements.

### Biodiversity



The financed activities feature the respect of biodiversity as an integral part of the planning process. The Bank's borrowers are obligated to obtain necessary licenses (i.e., Environmental Impact Assessments) when required in order to mitigate the negative environmental impacts on biodiversity, surrounding areas, and cultural heritages. All assets financed for the project categories will be located in Sweden. Thus, the environmental impacts on biodiversity and habitats have been reduced as it complies with the Environmental Code<sup>12</sup> (Miljöbalken 1998:808). Sweden's Environmental Code implements the EU Directive on Environmental Impact Assessment.

Considering the vast majority of assets financed will be under Green Buildings categories, particular environmental and biodiversity impact management is

<sup>12</sup> Miljöbalken (1998:808), Klimat- och näringslivsdepartementet, Available at <https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/sfs-1998-808/#K6>

ensured by complying with Sweden’s Plan- och bygglagen<sup>13</sup> (2010:900) Law, which requires the necessary cautions and plans regarding the protection of biodiversity for buildings to be taken into account. This includes establishing plans regarding building locations and covers ecosystem services, biodiversity, and conservation at the planning stage.

**Community Dialogue**

Financed activities feature community dialogue as an integral part of the planning process (e.g. sound information of communities, community advisory panels and committees, surveys and dialogue platforms etc.).



All assets financed will be located in Sweden, which is an Equator Principles designated country. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. Thus, Sparbanken Alingsås and its borrowers are obligated to comply with the requirements on Grievance Mechanisms, and Stakeholder Engagement. Furthermore, the Issuer’s borrowers are also obligated to comply with Sweden’s Environmental Code regarding Environmental Impact Assessment (EIA), as well as Plan- och bygglagen, which include community dialogue as a core practice.

**Inclusion**



Sparbanken Alingsås has a Code of Conduct<sup>14</sup> in place to systematically ensure borrowers are not discriminated on the basis of race, gender, age, disability, sexual orientation, religion, political beliefs, national or ethnic origin, or other factors that represent a breach of the principle of equal treatment in access to credit. Furthermore, the Bank’s Whistleblower Policy allows anonymous, written, and verbal reports in order to protect the borrowers.

**Data Protection and Information Security**



Sparbanken Alingsås has Information Security Policy and Personal Data Processing Policy<sup>15</sup> in place systematically ensuring that data collection processes on borrowers meet minimum requirements for data and information security, and data security in outsourced data processing. The Bank’s Personal Data Processing strategy and Information Security Policy comply with Regulation (EU) 2016/679 (General Data Protection Regulation; "GDPR"),

<sup>13</sup> Plan- och bygglagen (2010:900), Klimat- och näringslivsdepartementet, Available at [https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900\\_sfs-2010-900/](https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/plan-och-bygglag-2010900_sfs-2010-900/)

<sup>14</sup> Sparbanken Alingsås Code of Conduct (Uppförandekod), Available at: <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE77230845>

<sup>15</sup> Sparbanken Alingsås information om Behandling av Personuppgifter, Available at <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE158500429>

Regulations and general guidelines on information security, data protection, IT operations and deposit systems in credit institutions and investment firms (FFFS 2014:5), Payment Card Industry Data Security Standard (PCI DSS), Digital Operational Resilience Act (DORA), and Basel I and II, which provides customer data rights, protection measures, and privacy and data security principles.

A due diligence process has been established with the Bank's governing documents relating to information security, cyber security, and privacy. For outsourcing, Sparbanken Alingsås adheres to the European Banking Authority Guidelines on outsourcing arrangements, as well as ISO 27001 in terms of security of data and systems, location of data and data processing, sub-outsourcing, monitoring and auditing and contingency plans and exit strategies. Additionally, the Bank has a number of technical safety barriers and puts employees through regular information security, cyber security and privacy training in order to avoid unwanted incidents, and regular audits are conducted.

### Responsible treatment of customers with debt repayment problems



Sparbanken Alingsås has procedures in place to ensure that assets financed under this framework provide responsible treatment toward customers with debt problems. The Bank complies with the Financial Supervisory Authority of Sweden's (Finansinspektionen)<sup>16</sup> requirements regarding governing credit risk management, internal controls, and oversight which includes requirements for dealing with customers with debt problems and uses internal measurement methods quantifying credit risk to ensure that the incentives are in place for the customers with debt problem. In that regard, under its Credit Policy, Sparbanken Alingsås includes procedures under "Know Your Customer" system covering the assessment of creditworthiness and the risks of the loan granting process, and the clear distinction of the roles of loan proposer and decision-maker; credit risk assessment model and measurement metrics; verification of the customer's capacity to repay the debt; monitoring of credit and mediation initiatives to enable customers in temporary financial difficulty to meet their needs.

The Bank carries out its transaction processes in accordance with the Mortgage Act in Sweden (Lag 2016:1024 om verksamhet med bostadskrediter)<sup>17</sup>, which underlines the lending standards that the bank conforms with. Sparbanken Alingsås has (i) pre-emptive actions in place and implements individual interest rates depending on Know Your Customer Assessment, (ii) has educational

<sup>16</sup> Finansinspektionen's regulations and general guidelines regarding management of credit risks in credit institutions and securities companies (FFFS 2018:16), Available at:

[https://fi.se/contentassets/2b00a4a8f3834fdb9a4be132d564add1/fs1816\\_eng.pdf](https://fi.se/contentassets/2b00a4a8f3834fdb9a4be132d564add1/fs1816_eng.pdf)

<sup>17</sup> Mortgage Act in Sweden, (Lag 2016:1024), Available at [https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/lag-20161024-om-verksamhet-med-bostadskrediter\\_sfs-2016-1024/#K6](https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/lag-20161024-om-verksamhet-med-bostadskrediter_sfs-2016-1024/#K6)

financial training programs such as “Lyckoslanten” where the target is children, and “Utbildningskollen” where the target is young population, and (iii) provides internal and external debt counseling and money saving counseling services. The Bank advises retail clients with financial problems to get in touch for on-site meeting where they go through the client’s financial situation creating a debt restructuring plan for the customer to be cured. The proposed plans may include an interest-only period or changes to the amortization plan of the loan(s), in line with the Mortgage Act in Sweden.

For mortgage sale and foreclosure, the Issuer confirms ensuring to sell mortgages under conditions that are not detrimental to clients, in line with the Mortgage Act in Sweden (2016:1024)<sup>18</sup>, Consumer Credit Act (2010:1846)<sup>19</sup>, Regulations on amortisation of loans secured by residential property (FFFS 2016:16)<sup>20</sup>, and European Banking Guidelines (EBA) on credit institutions' risk management practices and accounting for expected credit losses, EBA/GL/2017/06<sup>21</sup>.

### Sales practices

✓ Sparbanken Alingsås has policies and procedures in place that assets financed under this framework provide for responsible sales practice. The Bank’s employees are trained and obligated to follow Sparbanken Alingsås’ Code of Conduct. The Bank’s Code of Conduct<sup>22</sup> specifies the core elements of customer services as providing a high level of integrity, availability, transparency, and fair treatment, and it applies rules for proper conduct and compliance with the operational limits set and the general rules on good business practices and international standards and conducts regular internal audits of the activities to identify potential operational or reputational risks and prevent malpractices.

The Issuer carries out regular screening of customer surveys and complaints and is responsible for monitoring and evaluating its employees’ competencies and sales practices and provides regular audits assessing responsible sales practices. Sparbanken Alingsås has Remuneration Policy<sup>23</sup> in place. Additionally, as part of its rewards system, Sparbanken Alingsås confirmed that the Bank

<sup>18</sup> Ibid.

<sup>19</sup> Consumer Credit Act “Konsumentkreditlagen” (2010:1846), Available at: [https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/konsumentkreditlag-20101846\\_sfs-2010-1846/](https://www.riksdagen.se/sv/dokument-och-lagar/dokument/svensk-forfattningssamling/konsumentkreditlag-20101846_sfs-2010-1846/)

<sup>20</sup> Regulations on amortisation of loans secured by residential property (FFFS 2016:16), Available at <https://www.fi.se/sv/vara-register/fffs/sok-fffs/2016/201616/>

<sup>21</sup> European Banking Guidelines on credit institutions' risk management practices and accounting for expected credit losses, EBA/GL/2017/06, Available at <https://www.eba.europa.eu/regulation-and-policy/accounting-and-auditing/guidelines-on-accounting-for-expected-credit>

<sup>22</sup> Sparbanken Alingsås Code of Conduct (Uppförandekod), Available at: <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE77230845>

<sup>23</sup> Remuneration Policy, Sparbanken Alingsås, Available at <https://internetbank.swedbank.se/ConditionsEarchive/download?bankid=1111&id=WEBDOC-PRODE32047048>

refrains from paying commissions and has no bonus system or individual sales targets related to products. The Bank's employees are trained on responsible sales practices such as making no aggressive sales, product matching with the risk appetite to ensure the implementation of responsible sales.

### Responsible marketing



Sparbanken Alingsås has a Sustainability Policy, Code of Conduct, Credit Policy and measures in place systematically ensuring that assets financed under this framework provide for responsible marketing. The Bank is committed to being transparent in its marketing activities. It has guidelines in place on clear and correct pricing, and the provision of complete and understandable information in order to ensure that customers' interests and investor protection are safeguarded when customers and investors are being sold products and services. Furthermore, the Issuer also provides clients with information on the reasons leading to a rejection and clarifies current loan requirements explaining how the customer can meet obligations.

### Exclusion criteria

Sparbanken Alingsås Credit Policy excludes companies with strong environmental impact or active in (i) nuclear energy generation, (ii) fossil fuel-related equipment and livestock, (iii) weapons, and defense industries, (iv) potentially environmentally negative resource extraction, (v) gambling, or (vi) tobacco.

The Issuer has an Anti-Money Laundering and Countering the Financing of Terrorism Policy and abides by all current sanctions and Anti-Money Laundering (AML) Legislation for the exclusion of entities and individuals found to have engaged in prohibited conduct.

## PART III: LINKING THE TRANSACTIONS TO SPARBANKEN ALINGSÅS' ESG PROFILE

### A. CONSISTENCY OF GREEN BONDS WITH SPARBANKEN ALINGSÅS' SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

Sparbanken Alingsås' sustainability strategy has been shaped around the UN's Sustainable Development goals, Agenda 2030. Their sustainability strategy consists of internalizing the UN Sustainable Development goals that are most relevant to their operations. In this regard, Sparbanken Alingsås has identified the following UN Sustainable Development Goals: Health and Well-being; Quality Education; Affordable and Clean Energy; Decent work and Economic Growth; Industry, Innovation, and Infrastructure; and Peace, Justice, and Strong Institutions. Their commitment to sustainability is executed through three key focus strategic areas: (i) Responsible investments, (ii) Responsible lending, and (iii) Social Engagement.

Sparbanken Alingsås' goals for 2022 have been clearly communicated. These include: (i) Increasing customer awareness and proactivity among advisors on long-term sustainable savings, (ii) increasing awareness among customers and advisors about borrowing wisely and sustainably, (iii) increasing awareness of their sustainable digital services and products for customers, (iv) increasing the proactivity and execution of the advisor regarding their sustainable digital services and products, (v) implementation of the half-year project – implementation of practical sustainability work in customer relations, (vi) reducing carbon dioxide emissions by making better use of the order of priority in their guidelines for business travel, compared to 2019, (vii) reducing energy consumption (heat and electricity) by 10% compared to 2021.

To achieve their goals, Sparbanken Alingsås employs sustainability and materiality analyses to identify risks and make sure that lending is undergone in a sustainable manner and undergoes dialogue with customers to influence them in a sustainable direction. The Issuer is aware that most of their environmental impact is linked to scope 3 emissions. In this regard, Sparbanken Alingsås believes it important to integrate sustainability in client meetings in a structured matter to better understand what insights their clients have of their own climate impact. This in turn leads to the bank conducting an ESG assessment as part of the credit memo to evaluate if this is a long-term sustainable business for the bank to finance.

To guide the Issuer's sustainability strategy, Sparbanken Alingsås has distributed responsibility regarding the work on sustainability. Although the board of directors has overall responsibility for their sustainability work, the CEO is responsible for establishing appropriate instructions and guidelines for sustainability and for appointing the Sustainability Manager. Office and department managers are responsible for ensuring that the business is conducted in accordance with the policy presented by the CEO, whereas the Head of Sustainability coordinates their work on sustainability and has overall responsibility.

Although Sparbanken Alingsås is not a signatory of any industry alliance or sector commitment and doesn't have SBTi's in place, they state to support and respect the UN Global Compact and they follow the GRI Guidelines.

Prior to this issuance, the Issuer had not previously issued any Green/Social/Sustainability Linked Bond/Loan.

### *Rationale for issuance*

To align its funding strategy with its mission and sustainability objectives, Sparbanken Alingsås has established a Green Bond framework to be able to issue Green Bond Instruments.

Sparbanken Alingsås believes that the transition towards a green economy is crucial for the sustainability of the planet, and the financial sector plays a vital role in directing funding to activities that support this transition. By issuing Green Bonds, Sparbanken Alingsås promotes and supports the long-term development of sustainable solutions through financing sustainable innovations and services.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. All of the project categories financed are in line with the sustainability objectives of the Issuer.*

## B. SPARBANKEN ALINGSÅS’ BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer’s industry*

The Issuer is classified in the Public and Regional Banks industry, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Business ethics
Customer and product responsibility
Labour standards and working conditions
Sustainability impacts of lending and other financial services/ products
Sustainability investment criteria

### *ESG strengths and points of attention related to the Issuer’s disclosures*

Leveraging ISS ESG’s Research, the following strengths and points of attention<sup>24</sup> have been identified:

STRENGTHS	POINTS OF ATTENTION
The Bank provides social financial services such as financing for education as well as provides green financial services to customers such as lending for renewable energy, electric cars, and energy efficiency improvements.	<p>The Bank publicly discloses information on the volume and sector of loans approved. However, no disclosure is available on client-specific aspects and application procedures of environmental and social guidelines covering action plans, approval processes and responsibilities, and grievance and accountability mechanisms.</p> <p>The Bank has disclosed no information pertaining to environmental and social guidelines on lending and investment</p>

<sup>24</sup> Please note that Sparbanken Alingsås is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Public and Regional Banks sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

	<p>banking covering client-related aspects such as risk and impact assessment, resource efficiency and human rights, etc. Further, environmental and social guidelines covering specific requirements for various industries such as forestry, energy, agriculture, oil, gas, and related infrastructure are not publicly available.</p>
<p>The Bank has disclosed information on environmental and social guidelines covering asset management services. With regards to socially responsible investment products and services, the Bank provides sustainability-themed investment funds and has reported information on positive and negative screening criteria. Additionally, the Bank has also disclosed information for application procedures of environmental and social guidelines pertaining to asset management activities.</p> <p>The Bank engages with its shareholders on topics such as human rights, labour rights, and business ethics. Additionally, the Bank engages with investee companies using tools such as proxy voting and direct company dialogue. Further, the Bank divests from investee companies in cases of unsatisfactory outcomes.</p>	<p>The Bank provides psychological support to its employees with regard to mental health management; however, information on further aspects that include preventive measures such as monitoring of mental health issues and awareness-raising measures on risk factors is not disclosed.</p> <p>The Bank operates in Sweden, which has high legal standards, thereby limiting the risks to the employees' health and safety and working time reductions; however, the Bank's own commitment in these regards is not disclosed. Further, the Bank has not publicly disclosed information on different types of employment.</p>
<p>The Bank's code of business ethics covers topics such as corruption, insider dealings, gifts and entertainment, conflicts of interest, and money laundering in general terms. Additionally, the bank publishes the code of business ethics in the local language, conducts compliance training, provides anonymous reporting channels to its employees, ensures protection of whistleblowers' employment status, and prevents harassment in the workplace.</p>	<p>The Bank has implemented some elements of an information security management system, such as structure and responsibilities, and physical and technical safeguards; however, no information is disclosed on further aspects such as risk assessments, targets and objectives, and training. Further, there is no evidence of a procedure to ensure information security in outsourced data processing.</p> <p>With regards to measures to ensure responsible sales practices, the Bank monitors customer complaints; however, information on other relevant aspects, such as refraining from commission payments,</p>

	<p>setting sales targets, and training, is not disclosed. Further, the Bank’s position on responsible marketing, responsible treatment of clients with debt repayment problems, and the provision of equal access to financial services is not disclosed.</p>
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Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part III.A of the report.

*Sustainability impact of products and services portfolio*

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the Issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer’s production process.

*Social impact of the product portfolio:*

Sparbanken Alingsås AB provides financial services such as private loans, business loans, mortgage loans, savings, investments, legal advice, insurance, and pensions. Additionally, the Bank also provides financing for educational programs, thereby positively contributing to the Social Sustainable Development Goal of delivering education. However, there is limited information available to estimate the size of each product portfolio that contributes to different social SDGs. Thus, the impact of the product portfolio on Social Sustainable Development Goals is considered neutral.

*Environmental impact of the product portfolio:*

Sparbanken Alingsås AB provides financial services such as private loans, business loans, mortgage loans, savings, investments, legal advice, insurance, and pensions. Additionally, the bank also provides financing for renewable energy, electric vehicles and energy efficiency improvements, thereby positively contributing to the Environmental Sustainable Development Goal of contributing to sustainable energy use and mitigating climate change. However, there is limited information available to estimate the size of each product portfolio that contributes to different environmental SDGs. Thus, the impact of the product portfolio on Environmental Sustainable Development Goals is considered neutral.

*Breaches of international norms and ESG controversies*

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

*At industry level*

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Public and Regional Banks industry are as follows: sexual harassment in the workplace, financial market irregularities, and embezzlement.

Please note that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.

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## ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Use-of-Proceeds-Bonds-and-Loans.pdf>

## ANNEX 2: QUALITY MANAGEMENT PROCESSES

### SCOPE

Sparbanken Alingsås commissioned ISS-Corporate to compile a Green Bonds SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bonds, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

### ISSUER'S RESPONSIBILITY

Sparbanken Alingsås' responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the Framework level

### ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bonds to be issued by Sparbanken Alingsås has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with Sparbanken Alingsås took place from October to December 2023.

### ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior, and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

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