



# Länsförsäkringar Bank

Green Bond Framework

June 2022





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# About Länsförsäkringar

## Länsförsäkringar Bank

Länsförsäkringar Bank is a customer-owned retail bank and its strategy is to offer attractive banking services to the customers of the Länsförsäkringar Alliance. Close customer relationships are created at personal meetings at the 115 branches of the regional insurance companies throughout Sweden and via digital services and telephone.

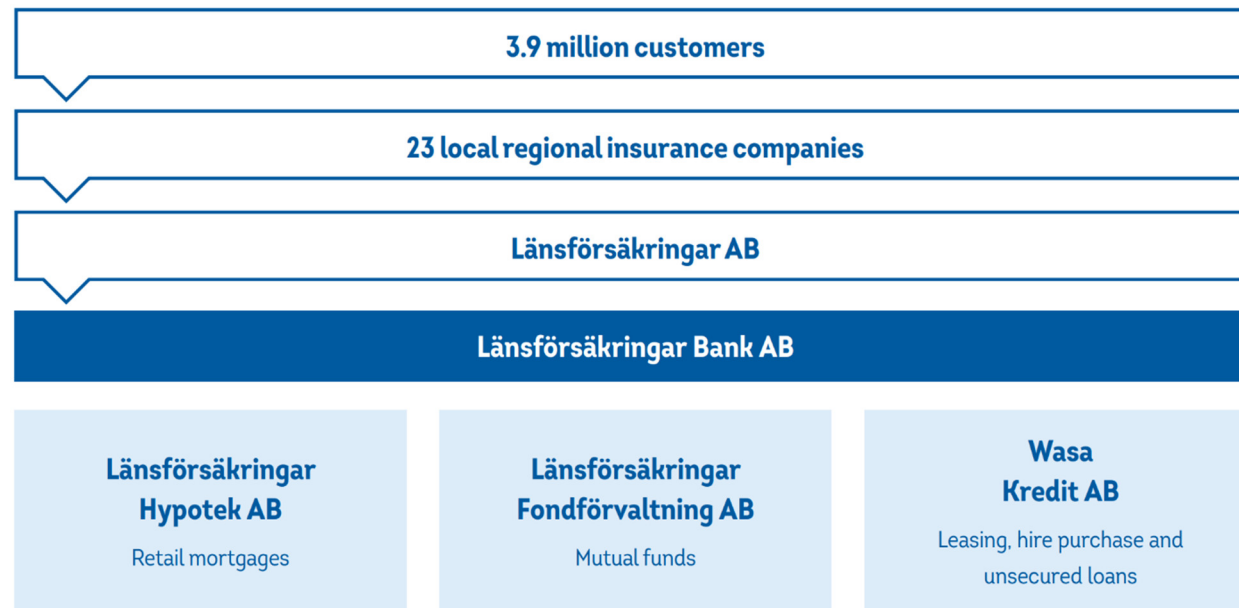
The aim is to have the most satisfied customers, maintain healthy growth in volumes and profitability at low risk, and to increase the share of customers who have both banking and insurance with Länsförsäkringar.

Länsförsäkringar Bank is the fifth largest retail bank in Sweden.

## Länsförsäkringar in brief

Länsförsäkringar comprises 23 local, customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB and its subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through their regional insurance company.

The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary focus. Long-term respect for customers' finances and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.9 million customers and approximately 8,000 employees.



# Sustainability within Länsförsäkringar Bank

Länsförsäkringar is an important part of the financial system. Through responsible investments in the fund range and responsible lending, Länsförsäkringar takes a stance that supports the sustainable development of society and respect for customers' security and value creation.

A team of sustainability experts have been recruited with the purpose to implement the strategic plan for the banking group. It includes work in accordance with the established governance structure and internal reporting, review of products and offerings, risk management as well as communication and external reporting.

A target operating model has been established taking the outset from Länsförsäkringar Bank's business model and an analysis has been performed to identify the capabilities that needs to be established and implemented to meet the future requirements and the banking group's strategic ambitions.

The aim is to facilitate a broad progress in sustainability through integration in the operations.

The structure of the strategy is based on the UN EPFI international guidance on how to implement sustainability in the banking industry.

Based on the target operating model a milestone plan has been established regarding the steps to be taken to achieve the long-term objective to integrate sustainability in the business processes.

A step in the move towards sustainability is the compliance towards regulations which is and will continue to move in high speed. But beside the existing and coming regulations Länsförsäkringar Bank has also committed to become aligned with other key stakeholders.

## Climate journey

In 2021, the Swedish Bankers' Association, which Länsförsäkringar Bank is a member of, developed a joint climate roadmap for the Swedish banking industry. In the roadmap, banks pledge to adapt their operations to help Sweden reach the climate target of net-zero emissions by 2045. Länsförsäkringar AB has been pursuing a climate-smart vision since 2019, and in 2021 a new climate target to be climate-positive by 2045 was adopted.

In 2021 Länsförsäkringar Bank signed the UN Principles for Responsible Banking (PRB). The principles aim to set the framework for a sustainable banking system that drives the global economy in a sustainable direction.

In 2018 the Bank signed on to the Task force on Climate-related Financial Disclosures (TCFD) which aim to create market transparency. The purpose of TCFD is to adopt financial risks and opportunities related to climate change as a natural part of Länsförsäkringar Bank's risk management and strategic planning processes.

In 2015 the UN Global Compact was signed which sets the principles for human rights, labour, environment and anti-corruption.

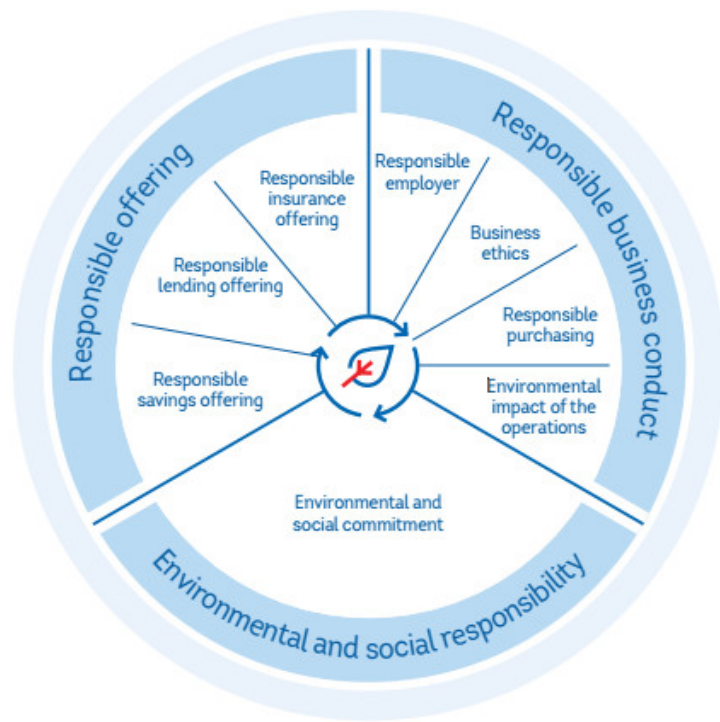
In 2013, Länsförsäkringar Fund company signed the Principles for Responsible Investments (PRI) aiming to incorporate ESG issues into the investment operations.





## Sustainability integrated in strategy

Responsible offering is one of the three pillars in Länsförsäkringar Group's common strategic priorities, which are based on the Group's commitments and strategic ambitions. Sustainability activities at Länsförsäkringar Bank follow the parent company Länsförsäkringar AB's group-wide policies and guidelines. Each business branch is committed to contribute to the common sustainability ECO-system that has been developed in the Group.



## Responsible Investments

Länsförsäkringar AB's target is to reduce the climate footprint of its own funds so that by 2030 their emissions are aligned with the goal of the Paris Agreement to limit global warming to 1.5°C. In practice, this involves selecting the most climate-effective companies in each sector and increasing climate-positive investments, avoiding the largest emitters of greenhouse gas (GHG) emissions in the most relevant sectors, supporting companies that have started to transition their operations and engaging in dialogue with companies to discuss climate challenges.

## Climate risk scenarios

Länsförsäkringar Bank's scenario analysis of its current mortgage portfolio is based on the long-term scenarios of the UN Intergovernmental Panel on Climate Change (IPCC) for 2071-2100. The resulting climate forecasts provided by the Swedish Meteorological and Hydrological Institute's (SMHI) were used. The analysis mainly focuses on chronic physical risks due to climate change. Depending on the location of the asset, the impact may differ. Assets in the portfolio may become stranded due to reoccurring flooding and permanently increased sea levels. Further, due to climate change the operating and maintenance cost may increase. This results in changes to both property values and repayment capacity of the borrower.

## Responsible lending

Long-term respect for customers' security and finances is fundamental to Länsförsäkringar Bank. Healthy lending is a key prerequisite for a stable financial situation for customers, but ultimately leads to a stable and sustainable bank. For this reason, Länsförsäkringar Bank base its credit assessment on customers' long-term repayment capacity and financial situation.

The Bank's largest lending product is mortgages. The geographic spread of lending to both retail and corporate customers is diversified, with low average lending per customer. Lending to companies mainly comprises of small businesses that are deemed to have limited environmental and social risks. The foundation of lending is the credit policy and the credit instructions, which include criteria for acceptable risk and identifying high-risk areas in sustainability that require special consideration. Environmental risks and environmental responsibility for agriculture and companies are regulated by law and monitored by various supervisory authorities.

Environment-related risks are addressed in the loan application process based on, for example, licensable or non-licensable operations and a comprehensive assessment of the company's operations.

# Länsförsäkringar Bank Green Bonds

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The aim of this Framework is to mobilize debt capital to support a low-carbon, climate change resilient and environmentally sustainable society. Länsförsäkringar Bank strives to follow best market practice and this Framework, aligned with the Green Bond Principles (GBP) published in June 2021 by the International Capital Market Association (ICMA), defines the loans eligible for financing green bonds issued by Länsförsäkringar Bank (“Green Bonds”).

Moreover, the framework outlines the process used to identify, select and report on eligible loans and the management of Green Bond net proceeds.

The terms and conditions of the associated legal documentation for each Green Bond will provide a reference to this Framework. Länsförsäkringar Bank or its subsidiary Länsförsäkringar Hypotek AB may use this Framework to issue Green Bonds in the format of (i) Senior Preferred Debt, (ii) Senior Non-Preferred Debt and (iii) Covered Bonds. Other financial products such as loans and revolving credit facilities may also reference this Framework.

Sustainalytics has provided a second party opinion of the framework confirming the alignment with ICMA’s GBP. Länsförsäkringar Bank will assign an independent external party to annually review the management of proceeds.



June 2022

Sven Eggefalk  
Chief Executive Officer

Martin Rydin  
Chief Financial Officer

Maher Sharifi  
Chief Sustainability Officer



# Use of proceeds

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## Allocation of net proceeds

An amount equal to the net proceeds of the Green Bonds will finance or refinance, in whole or in part, loans disbursed by Länsförsäkringar Bank that promote the transition towards a low-carbon, climate change resilient and environmentally sustainable society (“Green Loans”), in each case as determined by Länsförsäkringar Bank in accordance with the Green Loan categories defined on the following pages. All Green Loans will finance projects in Sweden. Green Loans will form a portfolio of assets eligible for financing and refinancing by Green Bonds.

## Financing and refinancing

Green Bond net proceeds may be used to both existing and new Green Loans financed by Länsförsäkringar Bank. New financing is defined as Green Loans disbursed during the reporting year. Refinancing is defined as Green Loans disbursed before the reporting year. The distribution between financing and refinancing will be reported on in Länsförsäkringar Bank’s annual Green Bond Report.

## Exclusions

Green Bond net proceeds will not be allocated to loans for which the purpose of the project is fossil energy production, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

## EU Taxonomy

Länsförsäkringar Bank will with its Green Loans financed under this Framework target the EU taxonomy environmental objectives. The Green Loan categories in this Framework intend to reflect the Technical Screening Criteria for substantial contribution stipulated in the Climate Delegated Act (EU Commission’s Delegated Regulation 2021/2139 Annex II on Climate Change Mitigation) to the extent possible.

## Sustainable Development Goals

In this Framework, each Green Loan category has been mapped to the UN Sustainable Development Goals (SDGs) in accordance with the High-Level Mapping to the Sustainable Development Goals published by the International Capital Market Association.

# Green & energy efficient buildings

## Improving energy efficiency in buildings

This category covers the financing or refinancing of the establishment, acquisition, expansion and upgrade of buildings.

The real estate sector is the single largest energy consuming sector in the EU. Collectively, buildings in the EU are responsible for 40 per cent of our energy consumption and 36 per cent of greenhouse gas emissions, which mainly stem from construction, usage, renovation and demolition. The Swedish government has set the objective to become carbon neutral by 2045. Several standards and regulations are being implemented in close cooperation with EU and the international community with the purpose of reducing energy consumption and promoting a transition towards alternative energy sources that are sustainable.

Approximately 75 per cent of the balance sheet in Länsförsäkringar Bank comprise of real estate mortgage. Improving energy efficiency in buildings plays a key role in the Group's ability to contribute to reducing carbon emissions and support the transition. The strategy set out the following key areas in the offering towards customers:

- Green mortgage loans that will gradually develop over time.
- Green real estate loans to corporates and tenant-owners' associations.
- Green loans for major renovations or energy improvements.
- Establish partnerships with external parties and finance products aiming to build energy efficient buildings or reduce energy use.
- Develop tools for customers to enable analysis of energy and carbon consumption for amongst other their housing, thereby creating awareness and enabling actions to reduce the use of energy.

Loan category	Eligibility Criteria
New buildings	New Buildings (built after 2020) designed to achieve a net Primary Energy Demand (PED) that is at least 10 per cent lower than the level required by the Swedish building regulation, BBR. <sup>1</sup>
Existing buildings	Existing buildings (built before 2021) determined to belong in the top 15 per cent of the national or regional building stock expressed as PED and demonstrated by adequate evidence, e. g. through a specialist study or as concluded in relevant statistics. <sup>2</sup>
Major renovations	Renovations of existing buildings that lead to a reduction in the energy use by at least 30 per cent compared to the pre-investment situation.
Energy efficiency measures	Direct costs (e.g. material, installation and labour costs) for installing energy efficient technologies or other energy saving measures during the construction, maintenance and service phase of a building. These measures may include energy management systems, AI and data solutions, heat exchangers, heat pumps or costs for enabling renewable energy sources. To be eligible the activity must reduce energy use by at least 30 per cent (physical installations).

Loans disbursed by Länsförsäkringar Bank contribute to the following UN SDG:  
Target 7.3: Double the improvement in energy efficiency



<sup>1</sup>) It is expected that the Swedish Net Zero Energy Building (NZEB) requirement, once established, will be equivalent to the BBR. The EU taxonomy requires new buildings to be 10 per cent lower than the level required to meet NZEB

<sup>2</sup>) The following study has been used to determine the top 15 per cent of the building stock: [Top 15 per cent - Fastighetsägarna](#)



# Environmentally sustainable management of living natural resources and land use

## Life on land

This category covers the financing or refinancing of projects targeting the sustainable use and management of environmental resources, to ensure the long-term sustainability of ecosystems and livelihoods.

Managing land resources sustainably holds significant potential for climate change mitigation, including minimizing air, water and climate pollution as well as promoting biodiversity and ecosystem services.

Länsförsäkringar Bank is engaged in supporting our farmers and foresters in becoming sustainable. Common standards will be established in the banking industry with the purpose of interpreting the EU taxonomy.

Länsförsäkringar Bank will, through offerings, encourage customers to certify and facilitate steps which will enable customers in adhering to the EU-taxonomy and obtaining the certifications aimed at creating effective use of land and natural resources.



Loan category	Eligibility Criteria
Agriculture	Organic farming, certified in compliance with the EU and national regulations.
Forests and forestry	<p>Forest land certified in accordance with the Forest Stewardship Council (FSC) standards and/or the Programme for the Endorsement of Forest Certified (PEFC).</p> <p>Non-professional Nordic customers, such as individuals or small corporations<sup>3</sup> that:</p> <ol style="list-style-type: none"> <li>i. comply with the national forestry act or law, and</li> <li>ii. have an up-to-date forest management plan, including nature conservation action plans for at least 5 per cent of productive area (nature protection and habitat management), and</li> <li>iii. Have a minimum target of 5 per cent deciduous tree noted in the forest management plan.</li> </ol> <p>To be eligible, i, ii and iii should together fulfil the same criteria and condition as a PEFC certification. All forest land holdings must be insured, ensuring monetary value and adoption measures such as forest fire proliferation prevention, storms and extreme precipitation.</p>

Loans disbursed by Länsförsäkringar Bank contribute to the following UN SDGs:  
 Target 15.1: Conserve and restore terrestrial and freshwater ecosystems  
 Target 15.2: End deforestation and restore degraded forests



<sup>1)</sup> Evaluated as per FSC's small and low intensity managed forests (SLIMF)

# Renewable energy

## Investments in renewable energy

This category covers the financing or refinancing of investments in renewable energy installations and their related infrastructure (e.g. grid connections and foundations), either in relation to existing buildings or as a stand-alone investment.

Today the energy sector is responsible for more than 75 per cent of the EU’s greenhouse gas emissions. Achieving Europe’s ambition of climate neutrality requires major investments in increasing the share of renewable energy. The area is under great development through innovations and product development. The Swedish government is promoting these sources through subsidizing directly and indirectly.

Länsförsäkringar Bank is closely monitoring the market and engaging with partners with the purpose of developing offering towards retail customers, to enable investments in renewable energy. Offerings will be available as mortgage lending, unsecure consumer loans, leasing and renting.

The finance company in Länsförsäkringar (Wasa Kredit) is actively engaging in establishing partnerships and expanding product offering in this area.

Loan category	Eligibility Criteria
Solar energy	The purchase and installation of on-site solar power systems or stand-alone solar farms as well as related infrastructure investments.
Wind power	Onshore and offshore wind energy generation facilities and other emerging technologies, such as wind tunnels and cubes.
Geothermal energy	Geothermal power plants and geothermal heating/cooling systems. Facilities should operate at lifecycle emissions lower than 100gCO <sub>2</sub> e/KWh.
Storage facilities	Facilities that store electricity, thermal energy or hydrogen.

Loans disbursed by Länsförsäkringar Bank contribute to the following UN SDG:  
Target 7.2: Increase global percentage of renewable energy





# Clean transportation

## Promoting clean transportation

This category covers the financing or refinancing of low carbon vehicles and related infrastructure.

Decarbonising transport is a core theme of the EU 2020 strategy. The long-term objective of the European Union on CO<sub>2</sub> emissions is an overall reduction of 80-95 per cent by 2050. The Swedish Government has set the objective to be climate neutral by 2045 and actively subsidize the transformation.

Electrification is a powerful decarbonisation measure that facilitate emissions reductions across sectors. One of the key cornerstones in increasing the use of low carbon vehicles is a well-established infrastructure. Länsförsäkringar Bank is promoting low carbon vehicles through green loan offerings which will be made available through the subsidiary Wasa Kredit. Furthermore, Wasa Kredit has established partnerships for loans towards green infrastructure.

### Loan category

**Low carbon vehicles and equipment**

**Low carbon vehicle infrastructure**

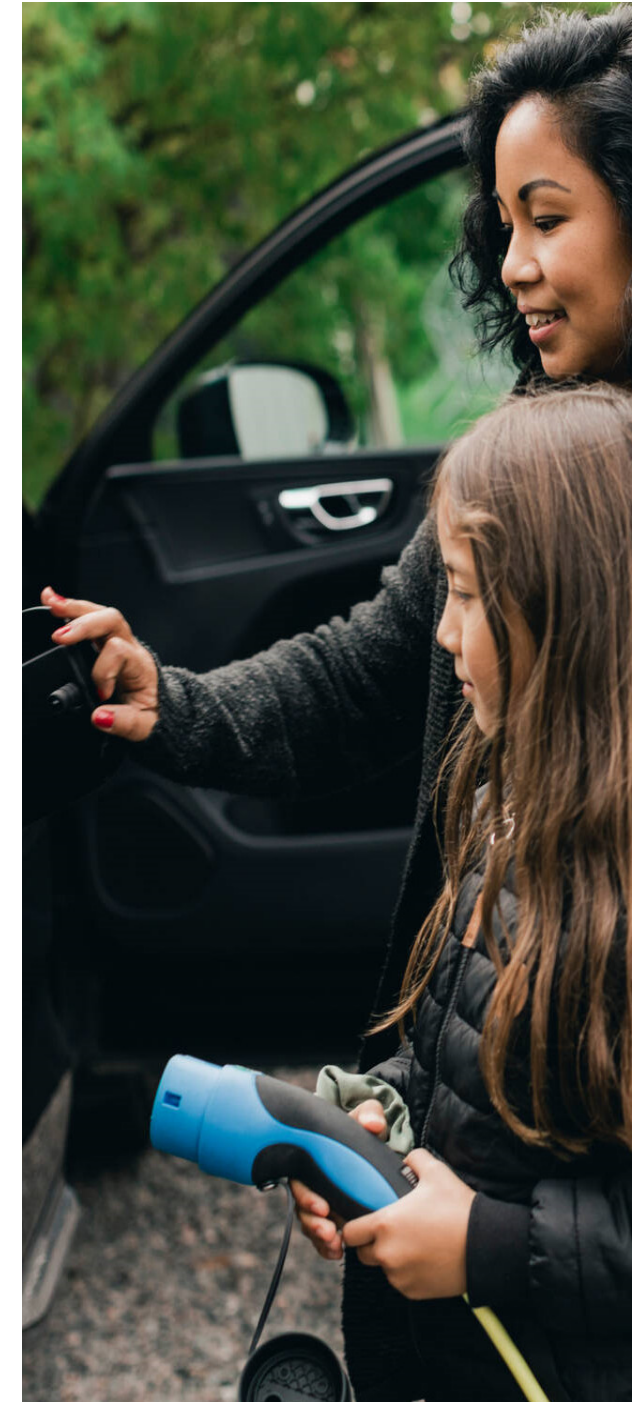
### Eligibility Criteria

Fully electric or hydrogen driven vehicles and equipment.

Infrastructure supporting electric and low carbon vehicles, such as charging stations for electric vehicles.

Loans disbursed by Länsförsäkringar Bank contribute to the following UN SDG:

Target 11.2: Affordable and sustainable transport systems



# Green loan evaluation & selection process

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As with all Länsförsäkringar Bank's lending activities, all potential Green Loans must go through the standard credit process. The credit process includes ensuring compliance with applicable national rules and regulations, Know-Your-Customer processes and Länsförsäkringar Bank's own policies and guidelines. Moreover, potential Environmental, Social and Governance (ESG) risks are assessed and internal sector specific credit directives guide extending credit to certain high ESG-risk sectors.

## Green Loan evaluation and selection process

The process to evaluate, select and allocate Green Bond proceeds to eligible Green Loans comprises of the following steps:

- i. Sustainability experts and representatives within Länsförsäkringar Bank's Treasury department evaluate and select potential Green Loans, their compliance with the Green Loan Categories, and their environmental benefits. If the analysis so requires, Länsförsäkringar Bank may ask for additional information, such as an environmental impact assessment or life cycle analysis. Based on the analysis, lending units can nominate loans as potential Green Loans.
- ii. A list of the potential Green Loans is presented to Länsförsäkringar Bank's Asset Liability Committee (ALCO). The ALCO is solely responsible for the decision to acknowledge the loan as green, in line with the Green Loan Criteria. A decision to allocate net proceeds will require a consensus decision by ALCO.
- iii. Green Loans and related environmental details, together with the ALCO's decision, will be recorded into a dedicated registry (the "Green Registry").

## Asset Liability Committee

The ALCO will convene every other month or when otherwise considered necessary. The ALCO is chaired by the CEO and consists of, amongst other, the following representatives: CFO, CRO, Head of Treasury, Head of Credit and Head of Strategy and Capital Planning. For the avoidance of doubt, ALCO holds the right to exclude any Green Loan already funded by Green Bond net proceeds. If the Green Loan is paid back, or for other reasons loses its eligibility, funds will then follow the procedure under Management of Proceeds until reallocated to other eligible Green Loans.

# Management of proceeds

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## Tracking of Green Bond net proceeds

Länsförsäkringar Bank will use the Green Registry, on a portfolio basis, to track the Green Loans and the net proceeds from each Green Bond issuance. The Green Registry ensures that Green Bond net proceeds only support the financing of Green Loans, or to repay Green Bonds. Länsförsäkringar Bank intends to have Green Loans allocation that exceeds the balance of net proceeds from its outstanding Green Bonds. Should there be any deviations from this, Länsförsäkringar Bank will strive to allocate an amount equal to the net proceeds within 24 months.

The management of proceeds will be reviewed by an independent external party chosen by Länsförsäkringar Bank.

## Temporary holdings

If any Green Bond net proceeds remain unallocated to Green Loans, Länsförsäkringar Bank will temporarily hold or invest any unallocated net proceeds at its own discretion in its treasury liquidity portfolio that consists of cash or other short term and liquid instruments.

Temporary holdings will not be placed in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defense, environmentally negative resource extraction, gambling or tobacco.



# Reporting & transparency

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## Allocation of Green Bond net proceeds

Länsförsäkringar Bank will annually and until maturity of the Green Bonds issued, provide to investors on its website, reporting on allocation of proceeds and environmental impact of the Green Loans.

## Allocation reporting

Allocation reporting will include the following information:

- i. A summary of Green Bond developments
- ii. The outstanding amount of Green Bonds issued
- iii. The balance of Green Loans in the Green Registry (including any temporary investments and Green Bond repayments)
- iv. The total proportion of Green Bond net proceeds used to finance new Green Loans and the proportion of Green Bond net proceeds used to refinance Green Loans
- v. The total aggregated proportion of Green Bond net proceeds used per Green Loan Category

## Impact reporting

The impact reporting aims at disclosing the positive environmental impact of the Green Loans financed under this Framework, based on Länsförsäkringar Bank's share of the total investment. As Länsförsäkringar Bank can finance a large number of Green Loans in the same Loan Category, impact reporting will be aggregated and disclosed on a portfolio level.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best intention basis. The impact assessment will, if applicable, be based on the Key Performance Indicators (KPIs) presented in the table on the next page.

# External review

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## Second party opinion

Sustainalytics has provided a second opinion to this Framework verifying its credibility, impact and alignment with the ICMA Green Bond Principles 2021.




## Post-issuance review

An independent external party, appointed by Länsförsäkringar Bank will on an annual basis provide a review, confirming that an amount equal to the Green Bond net proceeds has been allocated to Green Projects.

## Publicly available documents

The Green Bond Framework, the second party opinion, the post-issuance review and the annual Green Bond Report will all be publicly available on Länsförsäkringar Bank's website.

# Key Performance Indicators

Green Loan Category	Indicative Key Performance Indicators	SDGs
<p><b>Green &amp; energy efficient buildings</b></p>	<p><b>New buildings</b></p> <ul style="list-style-type: none"> <li>Annual energy use avoided compared to the relevant building code (MWh)</li> <li>Annual GHG emissions reduced/avoided (tons of CO<sub>2</sub>e emissions)</li> </ul> <p><b>Existing buildings</b></p> <ul style="list-style-type: none"> <li>Energy use avoided below relevant national buildings standards (kWh/m<sup>2</sup> or per cent)</li> <li>Annual GHG emissions reduced/avoided (tons of CO<sub>2</sub>e emissions)</li> </ul> <p><b>Major renovations</b></p> <ul style="list-style-type: none"> <li>Annual energy reduced compared to the pre-investment situation (MWh)</li> <li>Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul> <p><b>Energy efficiency</b></p> <ul style="list-style-type: none"> <li>Annual energy reduced/avoided (MWh)</li> <li>Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul>	
<p><b>Environmentally sustainable management of living natural resources and land use</b></p>	<ul style="list-style-type: none"> <li>Sustainable agriculture &amp; Forests/forestry</li> <li>Forest/Agricultural land area (hectares)</li> <li>Forestry/Organic farming certification scheme</li> </ul>	
<p><b>Renewable energy</b></p>	<ul style="list-style-type: none"> <li>Installed renewable energy capacity (kW)</li> <li>Annual renewable energy generation (kWh)</li> <li>Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul>	
<p><b>Clean transportation</b></p>	<p><b>Low carbon vehicles and equipment</b></p> <ul style="list-style-type: none"> <li>Number of vehicles</li> <li>Annual GHG emissions reduced/avoided compared to average emissions per km for a fossil-fuel driven vehicle (tonnes of CO<sub>2</sub>e emissions)</li> </ul> <p><b>Low carbon vehicle infrastructure</b></p> <ul style="list-style-type: none"> <li>Number of charging points installed or upgraded</li> <li>Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e emissions)</li> </ul>	