



Second-Party Opinion

Sydbank Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the Sydbank 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 – (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Sustainable Use of Natural Resources, and (v) Recycling and Sustainable Production – 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 SDG 7, 11, 12, 14 and 15.



PROJECT EVALUATION / SELECTION Sydbank’s internal process in evaluating and selecting projects is managed by Sydbank’s Credit Committee, which is responsible for ensuring eligible green projects are aligned with eligibility criteria and consists of including but not limited to the members from the Deputy Group Chief Executive, Head of Credits, Head of Corporate Banking & Finance, and Head of Corporate Credit managers. Sydbank has an internal process for environmental and social risk management that applies to all allocation decisions. Sustainalytics considers the risk management to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Sydbank’s processes for management of proceeds are overseen by Sydbank’s Credit Committee. Sydbank intends to fully allocate proceeds within 36 months after issuance. Pending allocation, unallocated proceeds will be temporarily held in a portfolio consisting of cash, cash equivalents or in ESG-oriented funds, where feasible. This is in line with market practice.



REPORTING Sydbank intends to report on allocation of proceeds on its website on an annual basis, until full allocation of the proceeds. Allocation reporting will include the total amounts allocated to eligible projects per category, the balance of unallocated amounts and the share of financing versus refinancing. The impact report will include relevant impact metrics, where feasible, such as annual GHG emissions avoided, annual GHG and energy savings. Sustainalytics views Sydbank’s allocation and impact reporting as aligned with market practice.

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Issuer Location	Aabenraa, Denmark

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Introduction

Headquartered in Aabenraa, Denmark, Sydbank A/S (“Sydbank”, the “Bank” or the “Issuer”) operates throughout Denmark and the northern part of Germany. The Bank offers a variety of financing services, including mortgage credit, pensions and insurance.

Sydbank has developed the Sydbank Green Bond Framework (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 that are expected to reduce GHG emissions, limit pollution and generate environmental benefits in Denmark and Germany. The Framework defines eligibility criteria in five areas:

1. Renewable Energy
2. Green Buildings
3. Clean Transportation
4. Sustainable Use of Natural Resources
5. Recycling and Sustainable Production

Sydbank engaged Sustainalytics to review the Sydbank Green Bond Framework, dated May 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹. This Framework will be available in a separate document.²

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ opinion on the alignment of the reviewed Framework with the 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 1.11, 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 Sydbank’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. Sydbank representatives have confirmed (1) they understand it is the sole responsibility of Sydbank to ensure that the information provided is complete, accurate or 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 Sydbank.

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. Upon twenty-four (24) months following the evaluation date set stated

¹ 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/>.

² The Sydbank Green Bond Framework is available on Sydbank’s website at: www.sydbank.com/about/investor-relations/financialinformation.

³ 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.

herein, Sydbank is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

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.

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

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sydbank Green Bond Framework

Sustainalytics is of the opinion that the Sydbank Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of Sydbank's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Clean Transportation, Sustainable Use of Natural Resources and Recycling and Sustainable Production – are aligned with those recognized by the GBP. Sustainalytics notes that the fossil fuel and mining industries will be excluded from all financing under this Framework.
 - Sydbank has defined a 36-month look-back period for refinancing activities, which is in line with market practice.
 - Sustainalytics recognizes that the GBP favour project-based lending and financing, which provide generally more transparency than non-project-based lending. The Framework allows for general purpose lending to pure-play companies, however, Sustainalytics notes the high threshold that Sydbank has established in order to deem a company eligible for inclusion. Pure plays must derive more than 90% of their revenues from eligible activities in order to qualify for financing.
 - Under the Renewable Energy category, Sydbank may provide loans to wind and solar companies. Furthermore, lending to wind and solar companies is eligible when it supports such industries by means of manufacturing, installation and repair. In addition, the Bank may provide loans to the following activities:
 - Lending for green hydrogen production and power-to-X projects. Sydbank has confirmed that production will be through electrolysis using electricity with an average carbon intensity at or below 100 gCO₂e/kWh. Regarding power-to-X, Sydbank excludes projects where hydrogen is produced using steam methane reforming and CO₂ is sourced from fossil fuel operations.
 - Sustainalytics notes that hydrogen production from water electrolysis has significant potential to reduce emissions over its conventional pathway of production, i.e. steam reforming of natural gas or light ends. Sustainalytics encourages Sydbank to favour the sourcing of low-carbon-intensity power for electrolysis and to report, where feasible, on such intensity.
 - Lending for the production of biofuel and biogas, and electricity and combined heat and power (CHP) generation from biomass in Denmark. Regarding electricity and heat generation from biomass, the average life-cycle emissions of dedicated facilities in Denmark are currently 48.8g CO₂/kWh based on the proportion of industrial and household waste of the total biomass and Sydbank commits to financing only facilities that emit 100g CO₂/kWh or less.

- Regarding the production of biofuels, the Danish regulatory framework ensures compliance with the EU Renewable Energy Directive II.⁴ All production facilities for biofuels established after 1 January 2021 must observe life-cycle emissions at least 65% lower than fossil fuel baseline.
- As for biomass feedstock, the mix in Denmark is composed of waste and non-waste feedstock. The Danish regulation on biomass limits the use of energy crops, which accounted to 6% of total in 2020.⁵ The use of sewage sludge excludes wastewater directly coming from fossil fuel operations as it is not connected to the Danish wastewater management system.⁶ Furthermore, manure from industrial/intensive livestock operations are excluded, in compliance with the Animal Welfare act.⁷ In addition, the Danish regulatory framework ensures that common environmental risks associated with feedstock production are properly mitigated. For example, biomass fuels cannot be produced based on inputs cultivated in areas with high level of biodiversity.
- Lending for the transmission and storage of electricity. In cases where transmission infrastructure is not solely dedicated to transmission of renewable energy, the allocation will be pro-rated based on the annual average proportion of the electricity delivered to the relevant national grid.
- Sustainalytics considers the above financing as aligned with market practice.
- Regarding the Green Buildings category, Sydbank may finance commercial and residential buildings that achieve one of the following:
 - Buildings that have received or are expected to receive one of the following green building certifications and minimum levels: LEED (Gold or Platinum),⁸ BREEAM (Outstanding or Excellent),⁹ DGNB (Gold or above)¹⁰ and HQE (Excellent or above).¹¹
 - Buildings within the top 15% of energy-efficient buildings of the national or regional building stock. In addition, the Bank may finance buildings located in Denmark and Germany with EPC label A and B, where such levels guarantee they are the top 15% energy-efficient building stock.
 - Sydbank will select eligible buildings based on the criteria of relative performance in the market, against nearly zero-energy building (NZEB)¹² requirements and relative or absolute improvement, as per the requirements of the EU Taxonomy. Sustainalytics notes that the EU Taxonomy¹² requires meeting the relevant cost-optimal minimum energy performance requirements in accordance with the Energy Performance of Building Directive (EPBD), which vary among EU Member States. Sustainalytics therefore encourages Sydbank to report on actual improvement on primary energy demand performance or energy savings achieved in comparison with the existing building stock in the area or region.
 - Refurbishments that result in at least a 30% primary energy demand improvement over baseline.¹³
 - In addition, the Bank may finance refurbishment measures, such as cavity walls, roof and floor insulation and heat pumps. Regarding heat pumps, Sydbank has confirmed that these are either electric heat pumps or absorption heat pumps driven by solar or

⁴ Retsinformation, "Bekendtgørelse om bæredygtighed og besparelse af drivhusgasemissioner for biomassebrændsler og flydende biobrændsler til energiformål" ("Executive Order on sustainability and saving of greenhouse gas emissions for biomass fuels and liquid biofuels for energy purposes"), at: <https://www.retsinformation.dk/eli/ta/2021/1313>

⁵ The use of energy crops for feedstock production will be limited to 6% in 2023 and 4% in 2024, per regulation.

⁶ Ministry of Environment of Denmark – Environmental Protection Agency, "Connection of industrial wastewater to public wastewater treatment plants", at: <https://www2.mst.dk/udgiv/publikationer/2006/87-7052-055-0/pdf/87-7052-055-0.pdf>

⁷ Retsinformation, "Lov om dyrevelfærd (dyrevelfærdsloven)", ("Animal Welfare Act"), at: [Dyrevelfærdsloven \(retsinformation.dk\)](https://www.retsinformation.dk/eli/lov/2003/12/15/1)

⁸ LEED, "LEED Rating System", at: <https://www.usgbc.org/leed>

⁹ BREEAM, "Scoring and Rating BREEAM assessed buildings", at:

https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm

¹⁰ DGNB, "DGNB certification: a systematic approach to sustainability", at: <https://www.dgnb.de/en/council/certification/>

¹¹ HQE, "Introduction to HQE™ Certification", at: <https://www.behqe.com/cerway/essentials>

¹² Nearly Zero-Energy Building plans are required to have been implemented in all EU countries as part of the Energy Performance of Buildings Directive, an EU directive which "promotes the improvement of the energy performance of buildings within the Union". See:

<https://eurlex.europa.eu/eli/dir/2010/31/2018-12-24>

¹³ Sydbank has confirmed to Sustainalytics that only cost of renovation will be financed.

- geothermal heated water. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends Sydbank to exclude financing of heat pumps with high-GWH refrigerants and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
- Sustainalytics views green buildings criteria for new and existing buildings, as well as renovations, to be indicative of positive impact and aligned with market practice.
 - Under the Clean Transportation category, Sydbank may finance passenger and freight transport that are not dedicated to fossil fuels as follows:
 - Road and public transport: electric cars, electric trucks, electric buses, light rail transit, metro and trams with emissions equal to or lower than 50 gCO₂e/pkm until 2025. For trucks used for freight transport, Sydbank confirmed emissions will be kept below 25 gCO₂/t-km.
 - Rail transport: trains with emissions equal to or lower than 50 gCO₂e/pkm until 2025.
 - Sea transport: ferries with emissions equal to or lower than 50 gCO₂e/pkm until 2025. Sydbank has confirmed that conventional ferries that run on fossil fuels are excluded from financing and that it will not go towards cargo ships.
 - Infrastructure to support clean transportation including electrified rail infrastructure, electric vehicle charging stations, electricity grid connection upgrades and hydrogen fueling stations. Sydbank has confirmed that parking lots will be excluded from financing.
 - Sustainalytics considers such financing as aligned with market practice and the expenditures to be well-placed for inclusion in a green bond.
 - Under the Sustainable Use of Natural Resources category, Sydbank may finance sustainable agriculture, forestry and fishery relying on the following recognized third-party certification schemes:
 - EU organic¹⁴ and/or Danish organic label¹⁵ certified agriculture, excluding financing of livestock activities.
 - Commercial forests certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).
 - Aquaculture and fisheries certified by the Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC).
 - Sustainalytics considers the expenditures and the third-party schemes as aligned with market practice.
 - Under the Recycling and Sustainable Production category Sydbank may finance the following:
 - Lending to general recycling facilities as well as recycling facilities with the aim to segregate and sort recyclable materials from municipal waste streams. Sydbank excludes chemical recycling processes. The Bank does not currently have projects dedicated to the recycling of electronic waste. Should the Bank finance such activities in the future, the Danish legislation lays out requirements for the handling of waste of electrical and electronic equipment that ensure robust waste management processes to mitigate associated risks.¹⁶
 - Lending towards projects leading to significantly lower emissions of pollutants into air, water or land. Sydbank has confirmed that this will exclude fossil-fuel operation and reliant assets, mining or nuclear operations. The Bank indicated that current projects are limited to water treatments plants. Regarding activities aimed at lowering air and land pollution, Sustainalytics encourages Sydbank to select projects that are clearly anticipated to deliver tangible impact and to report on their environmental outcomes.
 - Lending for combined heat and power generation from municipal solid waste. Sydbank has confirmed that plastic, recyclable, and hazardous materials are separated prior to incineration. Sustainalytics recognizes that energy from waste could extract potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low-emission intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to

¹⁴ European Commission, "The organic logo", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organic-logo_en#:~:text=The%20European%20Union%20organic%20logo,them%20across%20the%20entire%20EU.

¹⁵ Organic Denmark, "The Danish Organic Label", at: <https://www.organicdenmark.com/the-danish-organic-label>

¹⁶ Further information available under: <https://www.retsinformation.dk/eli/lta/2021/1276>

constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends Sydbank to monitor the thermal efficiency of the financed facilities.

- Sustainalytics considers the expenditures and associated eligibility criteria as aligned with market practice.
- Project Evaluation and Selection:
 - Sydbank's Credit Committee (the "Committee") is responsible for the internal process of evaluating and selecting projects. The Committee is led by the Bank's senior leadership representatives and consists of including but not limited to the following members: Deputy Group Chief Executive, Head of Credits, Head of Corporate Banking & Finance, and Head of Corporate Credit managers.
 - The Committee evaluates the potential eligible projects based on the Framework's eligibility criteria and approves loans and investments. In order to identify and manage social and environmental risks associated with the financed projects, Sydbank conducts ESG due diligence at industry level within its credit evaluation for each project. In addition, to comply with the Danish legislation,¹⁷ the Bank carries out an ESG evaluation of its existing loan books to ensure any future financing and lending exposure against pre-defined ESG criteria. For additional details on risk management policies, please refer to Section 2.
 - Based on the cross-functional oversight for project selection and the presence of risk management processes, Sustainalytics considers these elements in line with market practice.
- Management of Proceeds:
 - Sydbank will manage the net proceeds on a portfolio basis. Sydbank's Credit Committee will oversee and track the amount of net proceeds spent on eligible projects. In case of divestment or if a project no longer meets the eligibility criteria of the Framework, the project will be replaced, and the corresponding amount reallocated to other eligible projects.
 - Sydbank intends to complete the full allocation of proceeds within 36 months after issuance. Pending allocation, unallocated proceeds will be temporarily held in a portfolio consisting of cash, cash equivalents or in ESG-oriented funds, where feasible.
 - Based on the management of proceeds described and the allocation period indicated, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Sydbank intends to report on the allocation and impact of proceeds on its website on an annual basis until full allocation.
 - Allocation reporting will include the total amounts allocated to eligible projects per category, the balance of unallocated amounts and the share of financing versus refinancing.
 - Impact reporting will include relevant impact metrics, where available, such as annual GHG emissions avoided (tCO₂e), annual GHG savings (tCO₂e), annual energy savings (GWh) and amount of certified production as well as details of the impact data's methodology.
 - Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the Sydbank Green Bond Framework aligns to the four core components of the GBP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Sydbank

Contribution of framework to Sydbank's sustainability strategy

Sydbank has integrated sustainability as part of the Bank's corporate strategy. Sustainalytics is of the opinion that Sydbank demonstrates a commitment to sustainability focusing on four areas: (i) responsible finance (ii)

¹⁷ Ministry of Trade and Industry, "Bekendtgørelse om ledelse og styring af pengeinstitutter m.fl.", (2021), at: <https://www.retsinformation.dk/eli/lta/2021/1254>

responsible investment (iii) responsible employer and (iv) responsible climate footprint.¹⁸ Sustainalytics notes that the projects funded under the Framework may advance the Bank's efforts in the following areas:

- As part of its responsible finance focus area, Sydbank reports the carbon footprint of its corporate, home and car loans to retail clients in line with Finance Denmark's CO₂ model for the financial sector. The CO₂ emissions are calculated with corporate clients' direct scope 1 and 2 emissions and in accordance with the Greenhouse Gas Protocol. The Bank has started reporting GHG emissions related to corporate and retail loans in 2021, which amounted to 812,498 tCO₂. In addition, Sydbank aims to set reduction targets for the CO₂ footprint of its lending portfolio in the longer term, to increase the volume of sustainable loans by 2022 and further enhance the underlying data and CO₂ calculations of the Bank's loans.
- As part of its responsible investment focus area, the Bank is a signatory of the UN Principles for Responsible Investment since 2010 and as such, incorporates ESG considerations into its investment process. The Bank established sustainability criteria for all investment products such as identification of sustainability risks, exclusion of certain countries and sectors including alcohol, tobacco, armaments and fossil fuels. Sydbank aims at increasing the number of investment products with a sustainability profile by the end of 2022 and targets a 75% carbon reduction of its equity portfolio from 2021 to 2030, compared to the global equity index MSCI All Country World Index (MSCI ACWI).
- With regards to the Bank's responsible climate footprint focus area, Sydbank has set up several initiatives to reduce its direct and indirect emissions. These initiatives have contributed towards a reduction of total CO₂ emissions by approximately 9% between 2020 and 2021 and by 21.7% between 2019 and 2020. In addition, Sydbank aims at setting long-term targets for its direct and indirect emissions by the end of 2022.

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

Approach to managing environmental and social risks associated with the projects

While 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, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land use and biodiversity loss associated with large infrastructure projects, emissions generated during construction or released during waste and wastewater management projects and workers' health and safety. While Sydbank plays a limited role in the development of the specific projects to be financed under the Framework, it is exposed to environmental and social risks associated with the loans that it may finance.

Sustainalytics is of the opinion that Sydbank is able to manage or mitigate potential risks through implementation of the following:

- Sydbank has in place an ESG risk assessment for its lending decisions since 2021, which requires customers to ensure safe handling of hazardous waste and to have the necessary licenses for activities requiring environmental permits. In line with Danish regulation, Sydbank is assessing any future financing and lending exposure against pre-defined ESG criteria and is currently undertaking an ESG assessment of the Bank's existing loan books. The Bank intends to further develop its process on integrating ESG risks into credit risk management and capital planning in 2022.¹⁹
- Sydbank has established a financing exclusion list and will not allocate green bond proceeds to activities considered to have a negative impact on the environment and society, such as fossil fuel, nuclear, defense, weapon, mining alcohol, tobacco, or gambling industries.
- Sydbank is a signatory to the UN Global Compact Principles and conforms to its 10 principles with regards to respecting human rights, fair labour practices, preventing environmental degradation, and anti-corruption.^{20,21} Sydbank's intended financed projects will be located in Denmark and Germany, which are recognized as Designated Countries under the Equator Principles, ensuring the presence of robust environmental and social governance, legislation systems and institutional capacity to mitigate the environmental and social risk associated with projects intended to be financed under this Framework.²²

¹⁸ Sydbank, "CSR Report", 2021, at: <https://ipaper.ipapercms.dk/Sydbank/regnskaber-2021/csr-report-2021/>

¹⁹ Sydbank, "CSR Report", 2021, at: <https://ipaper.ipapercms.dk/Sydbank/regnskaber-2021/csr-report-2021/>

²⁰ Sydbank, "CSR Report", 2021 at: <https://ipaper.ipapercms.dk/Sydbank/regnskaber-2021/csr-report-2021/>

²¹ UN Global Compact "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

²² Equator Principles, "Designated Countries", at: <https://equator-principles.com/about-the-equator-principles/designated-countries>

- In 2020, Sydbank became a signatory to the Principles for Responsible Banking under the United Nations Environment Program Finance Initiative. By adhering to this initiative, the bank undertakes to integrate its six core principles, including the principle two aimed at reducing the negative impacts and managing the risks to people and environment resulting from the Banks' activities, products and services.²³

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

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

Investing in green buildings in Denmark and Germany

The building sector is a significant contributor of GHG emissions and the largest energy consumer in the EU, accounting for 36% of total CO₂ emissions and 40% of the energy consumption as of 2020.²⁴ Under the Climate Target Plan 2030, the EU aims to decrease its GHG emissions by 55% below 1990 levels by 2030 and to achieve climate neutrality by 2050.²⁵ To achieve these goals by 2030, the EU requires the emissions from its building stock to be reduced by 60% compared to 2015 levels.²⁶ Therefore, investment in green buildings and building renovation to improve energy performance is expected to play a major role in decarbonizing the sector.

As of 2019, the manufacturing and construction sector represented 11% of Denmark's total emissions.²⁷ This is mainly due to the energy consumption for heating, cooling, lighting as well as construction machinery. Denmark's climate policy embraces the EU-wide 2030 targets and is committed to reducing 70% of GHG emissions compared to 1990s levels by 2030.²⁸ The Danish government requires measures to enhance energy efficiency such as more efficient heating systems in existing buildings as well as increasing the share of renewable energy sources in both new and existing buildings.²⁹

Further, buildings are responsible for 35% of Germany's total final energy consumption.³⁰ Recognizing the importance of the sector in meeting national climate change goals, the German government has set a target for its building stock to be climate-neutral by 2050.³⁰ As part of this goal, Germany aims to reduce the building sector's emissions by 67% by 2030 relative to 1990 levels.³¹ To achieve the 2030 and 2050 goals, this will require increased investments in green buildings, which are more energy-efficient and less carbon-intensive.

Based on the above, Sustainalytics is of the opinion that Sydbank's financing of green buildings have the potential to reduce the environmental footprint of the building sector and will further support Denmark and Germany to achieve their GHG emissions reduction targets.

Decarbonizing the energy and transportation sectors in Denmark and Germany

In 2019, the energy sector accounted for 77% of the GHG emissions in the EU, while transport was responsible for 31% of all energy-related emissions.^{32,33} According to the International Renewable Energy Agency, the widespread adoption of renewable energy sources has the potential to deliver 60% of energy-related CO₂

²³ United Nations Environment – Finance Initiative, "Sydbank A/S", at: <https://www.unepfi.org/member/sydbank-a-s/>

²⁴ European Commission, "In Focus: Energy Efficiency in Buildings" at: https://ec.europa.eu/info/news/focus-energy-efficiency-buildings-2020-lut-17_en

²⁵ European Commission, "2030 Climate Target Plan", at: https://ec.europa.eu/clima/eu-action/european-green-deal/2030-climate-target-plan_en

²⁶ European Commission, "A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives", at: https://eurlex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

²⁷ Danish Energy Agency, "Denmark's Climate Status and Outlook 2021", (2021), at: https://ens.dk/sites/ens.dk/files/Basisfremskrivning/cso21_-_english_translation_of_kf21_hovedrapport.pdf

²⁸ Ministry of Foreign Affairs of Denmark, "A Green and Sustainable World", (2020), at: file:///C:/Users/yliu/OneDrive%20-%20MORNINGSTAR%20INC/Desktop/SCS_Projects_Analyst_Work%20Folder/2022%20Project/May/Sydbank/A.Green.and.Sustainable.World.pdf

²⁹ Ministry of the Interior and housing, "National Strategy for Sustainable Construction", (2021), at:

https://im.dk/Media/637602217765946554/National_Strategy_for_Sustainable_Construktion.pdf

³⁰ Federal Ministry for Economic Affairs and Energy, "Energy Transition in the Building Sector", at:

<https://www.bmwi.de/Redaktion/EN/Dossier/enhancing-energy-efficiency-in-buildings.html>

³¹ Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, "Climate Action Plan 2050", at: <https://www.bmu.de/en/topics/climate-energy/climate/national-climate-policy/greenhouse-gas-neutral-germany-2050/>

³² UNFCCC, "Summary of GHG Emissions for European Union (Convention)", at: https://di.unfccc.int/ghg_profiles/annexOne/EUA/EUA_ghg_profile.pdf

³³ Statista, "Distribution of carbon dioxide emissions in the European Union in 2019, by sector", at: <https://www.statista.com/statistics/1240108/road-transportation-greenhouse-gas-emissions-eu/>

emissions reduction.³⁴ In this context, increasing the share of renewables can be expected to contribute to Denmark and Germany's national climate targets.

Denmark has committed to becoming "fossil free" by 2050, through energy and climate measures, such as promoting the use of renewable energy sources and energy efficient technologies.³⁵ As of 2018, the energy and transportation sectors are the two primary drivers of carbon emissions, accounting for approximately 20% and 25%, respectively, of Denmark's total CO₂ emissions.³⁶ The country aims to reduce the energy and transport sector's GHG emissions to 5% and 32% relative to 1990 levels in its total emissions in 2030.³⁶ In order to achieve this, Denmark is dedicated to increasing the share of renewable energy to 55%, with a focus on wind, biofuels and solar energy in its total energy use, and phasing out coal in the energy supply by 2030.³⁷ In the long term, electricity, heating, industry and transport energy are to be provided entirely by renewable sources.³⁸

Under its Climate Action Plan 2050, Germany aims to cut GHG emissions by 55% by 2030 and nearly 95% by 2050, relative to 1990 levels.³⁹ As of 2017, the energy sector is the largest GHG emission emitter in Germany, representing 42% of the country's total CO₂ emissions, followed by the transport sector with 22%.⁴⁰ In order to meet its climate targets, Germany is committed to increasing the share of renewables in the gross final energy consumption to 60% by 2050.⁴¹ In 2021, renewable energy contributed approximately 20% of gross final energy consumption and the share of renewables in electricity generation has grown to 41%, with wind power being the most important renewable energy source in the German electricity mix.⁴² Regarding the transport sector, Germany aims to reduce 40% of its final energy consumption by 2050 compared to 2005 level.⁴³ To achieve this objective, Germany intends to promote low-emission mobility such as increasing the number of electric vehicles and local public transport and expanding the charging infrastructure.⁴⁴

In this context, Sustainalytics is of the opinion that Sydbank's financing of renewable energy generation projects offers the potential to support the transition to a low-carbon economy, while contributing to the climate related goals of Denmark and Germany.

Alignment with and contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the Sydbank Green Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems

³⁴ IRENA, "Global Energy Transformation: A Roadmap to 2050 (2019 Edition)", at: https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Apr/IRENA_Global_Energy_Transformation_2019.pdf

³⁵ Ibid.

³⁶ Danish Energy Agency, "Denmark's Climate and Energy Outlook 2020", (2020), at: https://ens.dk/sites/ens.dk/files/Basisfremskrivning/deco_2020_27082020.pdf

³⁷ Ibid.

³⁸ MarketWatch, "Denmark Renewable Energy Market Size Outlook, Share and Growth Stance Forecast 2022-2031", (2022), at: <https://www.marketwatch.com/press-release/denmark-renewable-energy-market-size-outlook-share-and-growth-stance-forecast-2022-2031-2022-04-26>

³⁹ Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), "Climate Action Plan 2050 – Principles and goals of the German government's climate policy", (2016), at: https://www.bmuv.de/fileadmin/Daten_BMU/Pool/Broschueren/klimaschutzplan_2050_en_bf.pdf

⁴⁰ IEA, "Germany 2020 Energy Policy Review", (2020), at: https://iea.blob.core.windows.net/assets/60434f12-7891-4469-b3e4-1e82ff898212/Germany_2020_Energy_Policy_Review.pdf

⁴¹ Federal Ministry for Economic Affairs and Energy (BMWi), "Second Progress Report on the Energy Transition: The Energy of the Future. Reporting year 2017", (2019), at: https://www.bmwk.de/Redaktion/EN/Publikationen/Energie/second-progress-report-energy-transition.pdf?__blob=publicationFile&v=3

⁴² The UBA, "Renewable energies in figures", (2022), at: <https://www.umweltbundesamt.de/en/topics/climate-energy/renewable-energies/renewable-energies-in-figures>

⁴³ Ibid.

⁴⁴ Ibid.

		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.
Sustainable Use of Natural Resources	14. Life Below Water	14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Recycling and Sustainable Production	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Sydbank has developed the Sydbank Green Bond Framework under which it may issue green bonds and use the proceeds to finance loans for pure-play companies and specific projects related to all Framework categories. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact mainly within the buildings, energy and transportation sectors in Denmark and Germany.

The Sydbank Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Sydbank Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that Sydbank has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Sydbank is well-positioned to issue green bonds and that the Sydbank Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sydbank
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Sydbank Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 20, 2022

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds - (i) Renewable Energy, (ii) Green Buildings, (iii) Clean Transportation, (iv) Sustainable Use of Natural Resources and (v) Recycling and Sustainable Production - 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 SDG 7, 11, 12, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other (<i>please specify</i>): Recycling and Sustainable Production |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Sydbank's internal process in evaluating and selecting projects is managed by Sydbank's Credit Committee, which is responsible for ensuring eligible green projects are aligned with eligibility criteria and consists of including but not limited to the members from the Deputy Group Chief Executive, Head of Credits, Head of Corporate Banking & Finance, and Head of Corporate Credit managers. Sydbank has an internal process for environmental and social risk management that applies to all allocation decisions. Sustainalytics considers the risk management to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Sydbank's processes for management of proceeds are overseen by Sydbank's Credit Committee. Sydbank intends to fully allocate proceeds within 36 months after issuance. Pending allocation, unallocated proceeds will be temporarily held in a portfolio consisting of cash, cash equivalents or in ESG-oriented funds, where feasible. This is in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Sydbank intends to report on allocation of proceeds on its website on an annual basis, until full allocation of proceeds. Allocation reporting will include the total amounts allocated to eligible projects per category, the balance of unallocated amounts and the share of financing versus refinancing. The impact report will include relevant impact metrics, where feasible, such as annual GHG emissions avoided, annual GHG saving and annual energy savings. Sustainalytics views Sydbank's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts
- Green Bond financed share of total investment
- Other (*please specify*):
 - The proportion of the proceeds allocated to refinancing of existing Eligible Green Projects
 - Unallocated proceeds

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Other ESG indicators (please specify):
 - percentage of certified production

Frequency

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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