Swedbank

Green Bond Impact Report 2018

Developing sustainable finance through Green Bond issuance

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The UN Sustainable Development Goals (the SDGs) are the world's new development agenda, to be achieved by 2030.

Sustainability is part of Swedbank's heritage and purpose. A strong commitment to sustainability is fundamental to Swedbank's operations. Our aim is to contribute to sound and sustainable development for customers, employees, owners and society in line with the UN Sustainable Development Goals and the Paris Climate Agreement. In 2018 we implemented the Task Force on Climate-related Financial Disclosure recommendations and became the first Nordic bank to commit to the Science Based Target initiative.

Issuing Green Bonds creates opportunities for us and our customers to contribute towards a more sustainable society. Through these bonds, we can successfully respond to our customers' demands and needs for green loans.

Promoting investments in green projects is crucial for the environment, society and long-term value creation.

About Swedbank

With over seven million private customers and 600 000 corporate customers, Swedbank is the leading bank for the many households and businesses in our four home markets: Sweden, Estonia, Latvia and Lithuania. We are active mainly in lending, payments and savings. We are available 24 hours a day through our digital channels and our customers can also meet us in any of our physical meeting points.

Sweden

Population:	10.1 million
Private customers:	4.0 million
Corporate customers:	270 000
Organisations:	66 000
Branches:	186
ATMs:	n/a
Cards:	4.0 million
Employees:	8 149

Estonia

Population:	1.3 million
Private customers:	0.9 million
Corporate customers:	132 000
Branches:	33
ATMs:	392
Cards:	1.1 million
Employees:	2 405

Lithuania

Population:	2.8 million
Private customers:	1.5 million
Corporate customers:	69 000
Branches:	59
ATMs:	407
Cards:	1.7 million
Employees:	2 268

Latvia

Population:	1.9 million
Private customers:	0.9 million
Corporate customers:	83 000
Branches:	33
ATMs:	367
Cards:	1.0 million
Employees:	1 631

Summary

This report describes the environmental impact of invested Eligible Green Assets on a portfolio level. The integrated impact indicators measure the estimated impact of the Eligible Green Asset Register that is financed by Swedbank.

Green Bonds issued since 2017

In October 2017, Swedbank established the Swedbank Green Bond Framework – a framework for issuing Green Bonds to enable and support sustainable investments. We obtained a second party opinion on the Swedbank Green Bond Framework from DNV-GL, which verified the alignment with the Green Bond Principles developed by the International Capital Market Association. In conjunction with the launch of Swedbank's Green Bond Framework, Swedbank issued its first Green Bond, a Senior Unsecured of EUR 500 million with a tenor of five years.

On 22 Mars 2018, Swedbank successfully issued its second Senior Unsecured Green Bond and the first in Swedish market of SEK 2bn with a tenor of five years, which will further contribute to a more sustainable society and tackle climate change.

The Green Bond proceeds are used to finance assets in Swedbank's Green Asset Register, which comprises assets that are eligible according to the criteria in the Swedbank Green Bond Framework. The size of the Green Asset Register equals the invested amount plus a buffer of green loans to allow for amortisation and the redemption of loans.

Green Asset Register
10 319
SEK million

47
Tonnes of avoided CO_2e emissions annually per SEK 1 million invested

18%
is wind

82%
is green buildings

Result as of 31 December 2018

Swedbank reports on a portfolio basis and in Swedish kronor (SEK million) and the reporting period ended on 31 December 2018. Assets included in the Green Asset Register totalled SEK 10 319 million and tonnes of avoided CO_2e emissions amounted to 47 per million invested. The proceeds from the Green Asset Register were used to finance and re-finance green buildings and renewable energy investments that reduce carbon usage in society and contribute to several of the SDGs as specified in the Swedbank Green Bond Framework. In the report, Swedbank accounts for annual impacts from the year the asset was included in the Green Asset Register. This means that the impact resulted before the eligible asset was included is not reported, and we account for assets under construction which have not yet resulted in any avoided emissions.

Use of proceeds reporting as of 31 December 2018

	Total assets	Green buildings	Wind
Total amount in the Green Asset Register, in SEK million - whereof Retail banking - whereof Large Corporate and Institutions	10 319 654 9 665	8 471 150 8 321	1 848 504 1 344
Allocation of proceeds (%)	100%	82%	18%
Total amount of unallocated proceeds	0	0	0
Share of financing/re-financing (%)	32% / 68%	39% / 61%	0% / 100%
Total amount of Green Bonds issued since 2017, in SEK million		7 133	

Highlights of 2018

Almost one and a half year has passed since Swedbank launched its Green Bond Framework and issued its first Green Bond. We have seen both an increased interest internally and on the market for Green Bonds. Some highlights of the year:

- **The Green Asset Register has grown with 2 587 SEK million in one year**
- **New financing projects were introduced**
- **Green buildings in Norway and Finland**
- **A process to review the Green Bond Framework has been commenced**

The Green Bond Framework

The Criteria

Swedbank's Green Bond Framework is used to finance and re-finance, in whole or in part, loans and investments that provide clear environmental benefits and promote the transition to a low carbon, climate resilient and sustainable economy.

Five categories are currently included in our Green Bond Framework, addressing the following five SDGs:

SDG7 Affordable and Clean Energy
SDG9 Industry, Innovation and Infrastructure
SDG11 Sustainable Cities and Communities
SDG13 Climate Action
SDG15 Life on Land

Renewable Energy

Wind, solar and hydro energy.

Clean Transportation

Clean transportation, defined as public passenger transport and low carbon vehicle solutions, systems and charging/supporting infrastructure that reduces air pollution and climate impact.

Energy Efficiency and Green Buildings

Green buildings, either residential or commercial real estate, and energy efficiency properties and projects leading to reduced energy losses of at least 25 per cent.

Sustainable Management of Living Natural Resources

Sustainable management of living natural resources, defined as sustainable forestry and agriculture.

Pollution Prevention and Control

Pollution prevention and control, defined as sustainable waste management.

See Appendix for details of the green criteria (Use of Proceeds) which can also be found in the Swedbank Green Bond Framework .

The Process

Client Executive

1. CREDIT AND SUSTAINABILITY RISKS

The Client Executive performs the regular credit process including a standard sustainability risk assessment based on Swedbank Group's sustainability policies, position statements and exclusion list, and guided by a number of sector guidelines.

Group Sustainability

2. SUSTAINABILITY ANALYSIS

Group Sustainability performs a sustainability analysis, which includes the collection of evidence of environmental considerations taken in the planning process. Such evidence includes, for example, energy usage disclosure and other relevant Key Performance Indicators (KPIs). Group Sustainability also exercises its professional judgement, discretion and sustainability expertise in the process.

Green Bond Committee

3. APPROVAL

The Green Bond Committee is the decision making body that approves the proposed loan's eligibility as a green asset and thus the inclusion in Swedbank's Green Asset Register. The Green Bond Committee is responsible for the governance of the Swedbank Green Bond Framework and for the approval of the allocation of Green Bond Proceeds.

Group Treasury

4. THE LOAN IS REGISTERED AS A GREEN ASSET

Swedbank has internal systems in place to track the proceeds of our Green Bonds. Group Treasury monitors the Green Asset Register on a monthly basis to ensure that all proceeds from Green Bond issuances are allocated to a corresponding amount of Eligible Green Assets.

Group Treasury and Group Sustainability

5. IMPACT REPORTING

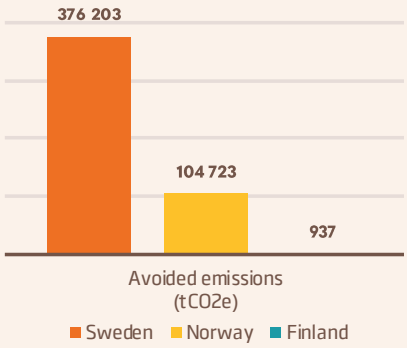
Swedbank reports on an annual basis on the environmental impact of the Green Asset Register. The report also includes details on the total amount of Green Bonds issued, allocation of proceeds within each asset category, total amount of unallocated proceeds and share of proceeds used for financing/re-financing.

Register update

Wind
18
per cent

Green buildings
82
per cent

Avoided emissions
481 863
tCO_2e



Renewable energy production
1 495
GWh

Sector allocation

- The sector allocation of projects in relation to SEK million in Swedbank's Green Asset Register was as of 31 December 2018 18 per cent wind and 82 per cent green buildings.

Impact

- Annual avoided emissions totalled 481 863 (market based) tonnes of CO_2e in 2018, corresponding to 18 times the total direct emissions generated by Swedbank in the same year.
  - Wind power generated an annual renewable energy production of 1 495 GWh
  - Green buildings generated an annual energy savings of 9 437 MWh
- 47 tonnes of avoided CO_2e emissions annually per SEK 1 million invested.[1]

Method

- The impact is extracted from technical information on energy data:
  - Building's net performance is calculated using a reference value and the building energy intensity (kWh/m^2).[2]
  - All calculations on wind energy performance are based on the annual production of energy (GWh) of each project.
- Emission factors used are based on generally accepted sources in accordance with international standards, supplied by climate calculation tool provider Ecometrica.[3]
- The result reported and included is based on Swedbanks share of financing in each project.
- The software, Our Impacts, is used for controlling and calculating the Register's impact; and the software provider, our environmental consultant, also executes a quality assurance on the performance data.

[1] Calculation: 481 863 tonnes of avoided CO_2e emissions are divided by SEK 10 319 million (Green Asset Register as of 31 December 2018), results in 47 tCO_2e of avoided emissions annually per SEK million, compared to 59 tCO_2e in 2017. Please note that this KPI is based on the Green Asset Register and not on a specific Green Bond issuance.
[2] Reference values in Sweden: Existing building 122 kWh/m^2 (Swedish Energy Agency's yearly statistic, commercial, 2017), new building 80 kWh/m^2 (Building code "Boverkets byggregler", BBR 2018, commercial). Equivalent principles are used for reference values in Norway and Finland. For property specific buildings custom reference values occur.
[3] Wind: Nordic residual mix as provided by Energimarknadsinspektionen 2017: 329 g CO_2e/kWh. Nordic wind power (Vattenfall, EPD 183): 0,52 g CO_2e/kWh. Building: Nordic residual mix as provided by Energimarknadsinspektionen 2017: 329 g CO_2e/kWh.

Financed wind assets

1 848

SEK million

Number of wind power plants

234

Environmental impact Wind

The share of renewable energy used in the Nordic countries keeps growing and already in 2012 Sweden reached the government's 2020 target of 50 per cent. The current target for the power sector in Sweden is 100 per cent renewable electricity production by 2040.

Swedbank's investment in wind promotes the use of affordable, clean energy and contributes to climate action. Wind is a reliable and secure source of energy with massive potential to transform the energy mix in countries that have great wind resources. Renewable energy such as wind power reduces greenhouse gas emissions given that it can replace fossil fuels.

A reduction in the use of fossil fuels will be crucial to meeting the main target of the Paris Agreement on Climate Change, namely to limit the increase in global average temperatures to well below 2° C above pre-industrial levels.[4]

[4] The map symbolises wind power plants in Sweden and Norway, but does not indicate actual placement of Swedbank's financed wind power plants.

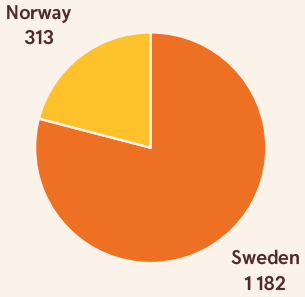
Financed wind assets
1 848
SEK million

Total capacity of wind power plants
531
MW per year

Avoided emissions
478 757
tCO_2e annually

Renewable energy production
1 495
GWh annually

Energy production by country
GWh annually



Wind powers' impact and contribution to the SDGs

SDG 7.2

"By 2030, increase substantially the share of renewable energy in the global energy mix"

The transformation of the global energy system needs to accelerate substantially to meet the objectives of the Paris Agreement. A transition towards greater shares of renewables in the global energy mix is essential to reach SDG 7.2 by 2030.

Swedbank contributes to the target by financing investments in renewable energy sources such as wind power through the Green Asset Register. Swedbank had in the end of 2018 financed investments in 234 wind power plants. The financing reached a total amount of SEK 1 848 million. The installed capacity of the wind energy investments equals 531 MW producing 1 495 GWh energy per year.

SDG 7A

"By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology"

By including wind power in Swedbank's Green Bond Framework, investors are encouraged to invest in and develop clean energy technology. Eligible wind energy assets relate to establishment, acquisition, expansion, and ongoing management of wind energy facilities. The inclusion of renewable energy production in the Green Bond Framework is facilitated by cooperation with other international banks, institutions and investors.

SDG 13.1

"Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries"

Renewable energy such as wind power replaces energy produced by fossil fuels, thus reducing greenhouse gas emissions that cause climate-related hazards and natural disasters in countries all over the world. As energy provides input into almost all goods and services of an economy, it is vital to promote and encourage a sustainable energy system that contributes to climate change adaptation. Wind power has some of the lowest environmental impacts of any source of electricity generation.

During 2018, emissions estimated to 478 757 tCO_2e were avoided by investments in wind power, generating 1 495 GWh per year, through wind power facilities in Sweden and in Norway.

Financed building assets

8 471

SEK million

Building size

464 076

m^2

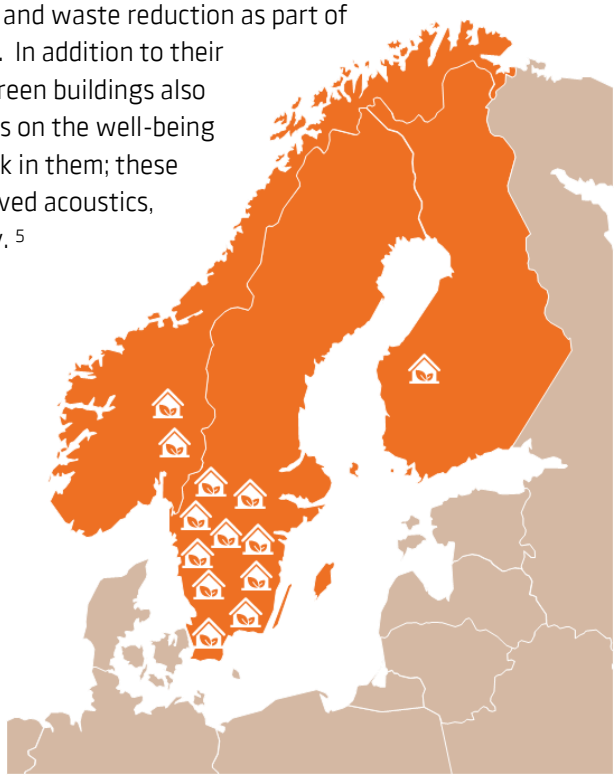
Number of green buildings

26

Environmental impact Green buildings

Green buildings play an important part in the development of sustainable cities and communities. During 2018 Swedbank financed green buildings in Sweden, Norway and Finland.

Energy savings are important, but are not the sole objective for investment in green buildings – in contrast to investments in renewable energy, where energy production is in focus. Swedbank's investments in green buildings that meet recognised national and international certifications such as BREEAM (minimum "very good") contribute to environmental objectives such as responsible management of materials and waste reduction as part of the climate action agenda. In addition to their environmental benefits, green buildings also have many positive effects on the well-being of those who live and work in them; these effects may include improved acoustics, light and indoor air quality. [5]



[5] The map symbolises green buildings in Sweden, Norway and Finland, but does not indicate actual placement of Swedbank's financed green buildings.

Financed building assets
8 471
SEK million

Energy savings
9 437
MWh per year

Avoided emissions
3 106
tCO_2e annually

Green buildings' impact and contribution to the SDGs

SDG 7.3

"By 2030, double the global rate of improvement in energy efficiency"

The eligible green buildings according to Swedbank's Green Bond Framework requires high standard environmental building certification or demonstrating excellent energy characteristics alternatively achieving major energy efficiencies through property upgrades.

The investments in green buildings through the Swedbank Green Asset Register are very energy efficient and generates annual energy savings of 9 437 MWh. Thus the investments contribute to the target of doubling the global rate of improvement in energy efficiency by 2030.

SDG 7.A

"By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology"

The inclusion of green buildings in Swedbank Green Bond Framework encourages the development of green energy infrastructure and clean energy technology since this is often promoted in green building certificates.

In addition to this, environmental certification of buildings does also recognize and encourage sustainable construction by setting standards for whole building energy efficiency, water conservation, materials and waste management, interior air quality and other critical factors reducing environmental impact of the real estate sector.

SDG 13.1

"Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries"

The facilitation of investments in green buildings through Swedbank's Green Bond Framework benefits climate change mitigation since it results in energy savings of 9 437 MWh and greenhouse gas reductions of 3 106 tCO_2e on a yearly basis. The investments in green buildings promote an adaptation of the building sector to climate change through the use of sustainable building practices taking into account a life cycle perspective of the buildings including the building design, the construction phase and operations.

In addition, green building certificates often support building qualities such as green roofs. Green roofs on buildings support climate change adaptation in several ways, for example the roof vegetation can absorb rainwater and also reduce radiant surfaces, helping to cool buildings internally and reduce the need for air conditioning.

Insights for the Future

In line with developments in society and customers' increased demand for sustainable solutions, the Green Bond business at Swedbank evolves in terms of increased interest and awareness among employees, as well as in improved processes for managing Green Bonds. Besides an enlarged Green Asset Register, we have initiated the process of reviewing the Green Bond Framework to ensure that it remains relevant and aligns with the sustainability strategy of Swedbank. Systems development work is also under way, to manage greater volumes of green loans in our balance sheet. The Green Bond business is a continuous learning process and we fully embrace the development of it since we see the great potential of Green Bonds to leverage the transition to a low carbon economy and enhance the contribution to the SDGs.

The Green Bond market is also rapidly expanding, with new players and more stringent frameworks and principles shaping the market. International regulators are showing increased interest in Green Bonds, wherein the EU Taxonomy and the EU Green Bond Standard will shape the green definitions and frameworks for issuing Green Bonds. We are closely following this development and are committed to transform and implement the modifications in our Green Bond business.

Swedbank continues to identify green assets in its balance sheet and seek to attract new green loans that qualify as green according to our framework. We engage in close dialogue with our customers and help accelerate their ambitions in the transition to a more sustainable society. We shall provide and maintain a solid Green Bond Framework on the basis of close dialogue with, and transparency towards, our external partners and stakeholders.

Assurance Report

Limited Assurance Report from the Independent Auditor

To Swedbank AB,

Introduction

We have been engaged by Swedbank AB to undertake a limited assurance engagement of the use of proceeds reporting as of 31 December 2018 set out in the Green Bond Impact Report 2018 ("the Reporting").

Responsibilities of Swedbank's management

Swedbank's Management is responsible for the preparation of the Reporting in accordance with the applicable criteria, as explained in the Swedbank Green Bond Framework (available at www.swedbank.com/investor-relations/debt-investors/green-bonds/), as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of the Reporting that is free from material misstatements, whether due to fraud or error.

Responsibilities of the independent auditor

Our responsibility is to express a conclusion on the Reporting based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Reporting, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Swedbank AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by Swedbank's Management as described above. We consider these criteria suitable for the preparation of the Reporting.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the use of proceeds reporting as of 31 December 2018 set out in the Green Bond Impact Report 2018, is not prepared, in all material respects, in accordance with the criteria.

Stockholm 8 May 2019

Deloitte AB

Patrick Honeth
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR

Appendix

Use of Proceeds (as indicated in the Green Bond Framework)

Eligible Green Assets	Sustainable Development Goal

Renewable Energy — SDG7 and SDG13

Renewable energy projects, defined as renewable energy from the following sources:

- Wind energy.
- Solar energy.
- Small scale hydro energy (hydropower plant of maximum 10 megawatts (MW) of generating capacity) or investments in existing larger hydro power plants (above 10 MW of generating capacity) for refurbishments without increasing the size of its impoundment facility[6].

Energy Efficiency — SDG7, SDG11 and SDG13

1. Green buildings, either residential or commercial real estate, including at least one of the following three criteria:
   - Buildings with an energy performance classification in the energy declaration issued by the Swedish National Board of Housing, Building and Planning (Sw. Boverket) of at least level B[7].
   - Buildings which meet the following recognised environmental standards;
     - BREEAM or BREEAM-SE[8] (minimum certification "very good")
     - LEED[9] (minimum certification "gold")
     - Sweden Green Building Council Miljöbyggnad[10] (minimum certification "silver")
     - GreenBuilding[11]
     - Or any equivalent certification as determined by Group Sustainability at Swedbank.
   - Property upgrade of existing commercial or residential buildings which results in an energy consumption of at least 25 per cent below the average national energy consumption of an equivalent building.
2. Other energy efficiency projects, including infrastructure, technology, processes such as energy storage, smart grid solutions and district heating/cooling from renewable energy sources leading to reduced energy losses of at least 25 per cent.

Eligible Green Assets	Sustainable Development Goal

Sustainable Management of Living Natural Resources — SDG15

Sustainable management of living natural resources defined as sustainable forestry and agriculture which meet recognised environmental standards such as;

- Sustainable forestry defined as forestry certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).
- Sustainable agriculture defined as certified organic farming in compliance with national and EU-legislation.

Pollution Prevention and Control — SDG11

Pollution prevention and control, defined as sustainable waste management including;

- Waste management such as recycling and waste to energy generation defined as biogas production of organic waste, non-recyclable municipal waste for incineration or forest biomass from areas that have, or meet the requirements for, FSC or PEFC certification.

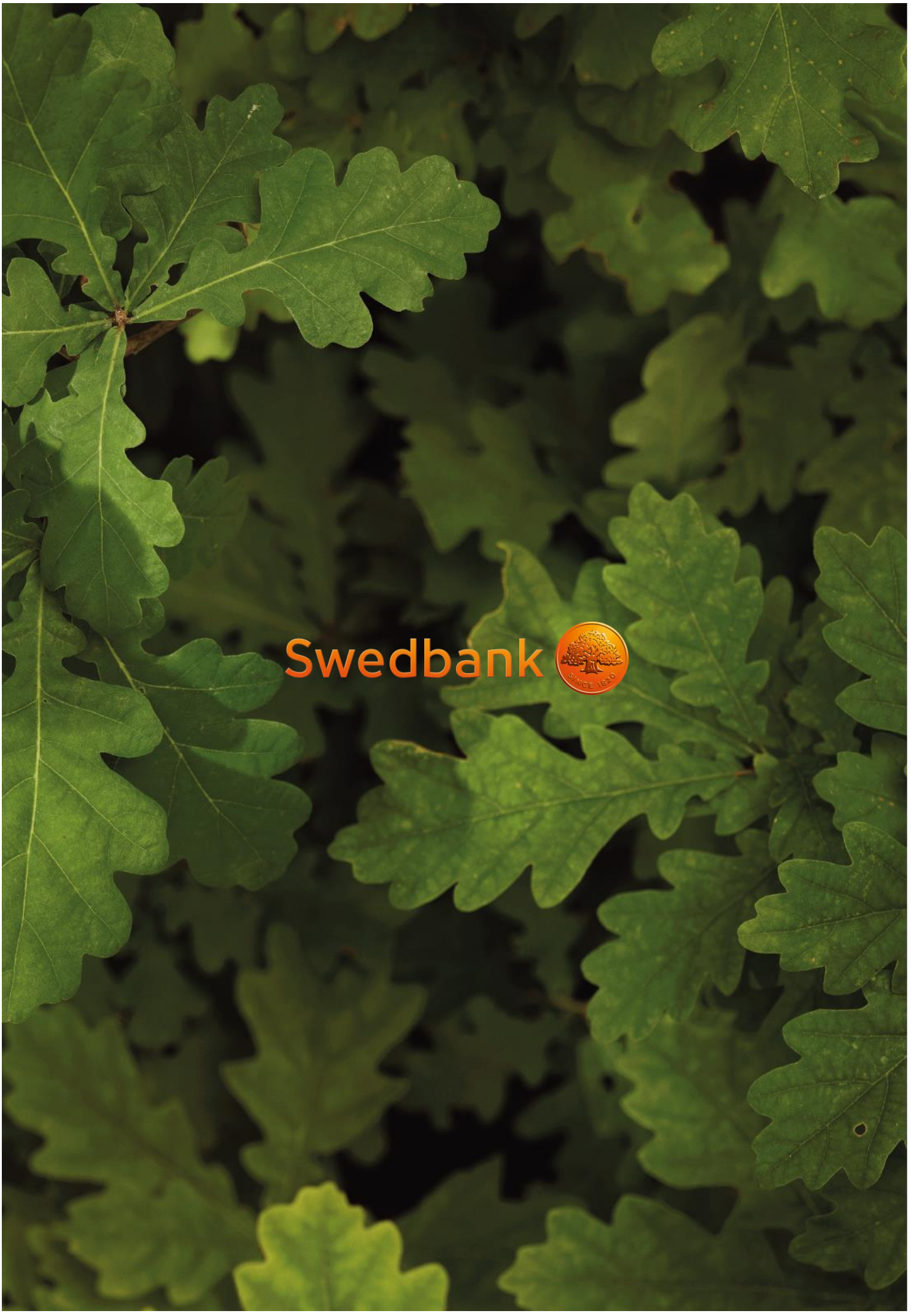
Clean Transportation — SDG9, SDG11 and SDG13

Clean transportation defined as public passenger transport and low carbon vehicle solutions, systems and charging/supporting infrastructure reducing air pollution and climate impact including:

- Public passenger transport such as electric rail, metros, trams and electric or hybrid buses.
- Low carbon vehicles[12] defined as electric, fuel cell and hybrid vehicles.

[6] Hydro energy projects are limited to the Nordic countries.
[7] Energy classification of at least B is equivalent with an energy performance of >50 – ⩽ 75 per cent of the energy requirement for new buildings in Sweden.
[8] BREEAM: http://www.breeam.org/
[9] LEED: http://www.usgbc.org/certification
[10] Miljöbyggnad: https://www.sgbc.se/var-verksamhet/miljobyggnad
[11] GreenBuilding https://www.sgbc.se/var-verksamhet/greenbuilding

[12] Passenger vehicle that complies with Euro 5 and Euro 6 emission standards and does not emit more than 50 grams of CO_2 per kilometer in mixed driving.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