



Swedbank Sustainable Funding Framework

September 2022

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A photograph of two young women standing on a balcony, looking out over a city. The woman in the foreground has short, dark, curly hair and is wearing a mustard yellow sweater. She is leaning her arms on a wooden railing. The woman behind her has dark hair pulled back and is wearing a light grey turtleneck. The background is a blurred cityscape with warm, bokeh light effects.

"The new framework will enable us to further support our clients in the transition through financing green and social projects. It also supports Swedbank's strategy of aligning the business to the net-zero goal by providing the conditions for increased sustainable financing."

Fredrik Nilzén,
Head of Group Sustainability, Swedbank



1. Introduction

Swedbank is now expanding the scope of its Sustainable Funding Framework by adding social activities. In doing so, Swedbank creates the basis to further expand its contribution towards fulfilling the United Nations Sustainable Development Goals (UN SDGs). Swedbank introduced its first Green Bond Framework in 2017.

1.1. Swedbank's Strong Commitment to Sustainability

With our 200-year heritage and current strategic direction, our vision is a financially sound and sustainable society where Swedbank empowers the many people and businesses to create a better future. We have in the past contributed to developing the societies in which we operate and commit to do the same going forward.

Swedbank has a sustainable business strategy, where sustainability is central to everything we do. The strategy is embedded in our heritage, our group strategies, activities, and business plans. As a financial institution Swedbank is an integral part of society and therefore has the responsibility and key role to play in accelerating the fulfilment of the UN SDGs through our operations, investments, financing, and services to our customers.

1.1.1. Commitment to Climate

Swedbank acknowledges that climate change is amongst society's greatest challenges. Research¹ shows that an increased concentration of greenhouse gases (GHG) warms the planet and creates substantial risks for both prosperity and growth. An unwillingness to acknowledge and act in accordance with these findings would drastically increase the probability of global warming in excess of 1.5°C and jeopardise the 2015 Paris Agreement on Climate Change. Considering our history, our purpose, and our vision, we are determined to facilitate a climate transition that

aligns with the Paris Agreement and to contribute to meeting the UN SDGs.

Swedbank works actively to reduce the consumption of the Earth's finite resources and to promote a stable climate and energy transformation. Swedbank has set Group-wide targets for the environment and specifically for climate protection, which we have identified as one of the most critical and material environmental issues facing our business. Swedbank has committed to the Net-Zero Banking Alliance and the Business Ambition 1.5°C. These commitments in practice lead us to a holistic business strategy to be net-zero latest by 2050 and to set targets through the Science Based Target Initiative in line with a 1.5°C future.

Greenhouse gas emissions targets:

- Reduce Swedbank's absolute greenhouse gas emissions from our own operations by 60% between 2019 and 2030.
- Achieve net-zero emissions by 2050 in our direct and indirect emissions, as well as align our lending and investment activities with the 1.5°C goal and set interim targets for 2030 (or sooner).
- For the asset management investments through Swedbank Robur, align the aggregated fund capital with the Paris Agreement goal to limit global warming to 1.5°C by 2025 and place the aggregated fund capital in carbon-neutral investments by 2040.

¹ AR6 Climate Change 2021 – The physical science basis from IPCC. [Sixth Assessment, Report \(ipcc.ch\)](https://www.ipcc.ch/assessment-report)

1.1.2. Commitment to Society

Societal engagement has played a key role throughout Swedbank's 200-year history. The first savings bank was founded in 1820 to help the public save and achieve long-term financial security. Today, people still have financial goals and yet not everyone is empowered to achieve them. We want to change that by making financial solutions more open, simple, and caring. With closer guidance, stronger support, sustainable choices, and simpler solutions, we empower people and businesses to create a better future. Together, we can build a more financially literate, sound, and sustainable society - one where we can all grow, live and do better. As a major bank, we

are part of society and are affected by its development. The bank's ability to contribute positively to the areas of housing and employment can, for example, include increased access to housing opportunities in the form of financing for individuals and real estate companies, as well as higher employment rates in socioeconomically weak areas and empowerment of specific groups in society. Swedbank also engages in social efforts to promote education, youth employment and entrepreneurship. Positive development in these areas is important for a good society, but also for a successful banking business. It is therefore natural that Swedbank is involved in various community projects, locally as well as across borders.

Sustainability for Swedbank

Doing things right

Sustainability basics through our own operations

Environmental Sustainability

- Environmentally safe operations
- Paris-aligned financing and investments

Social Sustainability

- Diverse, inclusive and sustainable workforce
- Fighting financial crime

Governance & Ethics

- Responsible corporate governance and business ethics incl. purchasing
- Compliant business and transparent disclosure

Financial Sustainability

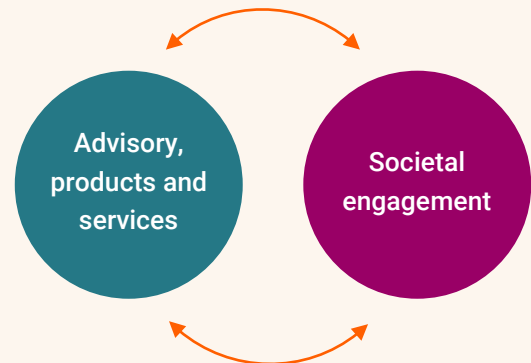
- Profitable and financially stable
- Secure, accessible and stable infrastructure



Doing the right things

Our impact and contribution to society through our customers

Empower the many **People** to create a better future by supporting sustainable choices



Empower the many **Businesses** to create a better future by supporting the transformation



1.2. Managing Environmental and Social Risks

As a bank we have an important role to factor sustainability risks into all our business decisions. Responsible lending begins with the promotion of a sound financial situation. Equally, however, it means the recognition of our responsibility for the indirect impact on society and the environment that can arise from our customers' business activities. We conduct a sustainability analysis for all corporate exposures where the total group credit limit exceeds SEK 8m, which includes questions about human rights, the environment, climate change and corruption.²

Swedbank's Sustainability Committee handles cases from the entire Swedbank Group and gives recommendations on issues involving sustainability and ethics. By escalating cases to the Committee, every business area can receive support on issues relating to the environment, business ethics, human rights, and taxes.

² For corporate customers with exposures below SEK 8m, Swedbank performs a basic assessment of sustainability-related factors, depending on the type of business and its complexity. For corporate customers with exposures of at least SEK 8m, Swedbank conducts a sustainability analysis of the customer using the bank's Corporate ESG analysis tool.



2. Swedbank Sustainable Funding Framework

Swedbank Sustainable Funding Framework (the Framework) will allow Swedbank to issue three types of bonds to finance and re-finance, in whole or in part, loans and investments with environmental and/or social benefits.

- Green Bonds – bonds where bond proceeds are used to finance ‘Eligible green assets’ as defined in section 2.1 ‘Use of Proceeds’
- Social Bonds – bonds where bond proceeds are used to finance ‘Eligible social assets’ as defined in section 2.1 ‘Use of Proceeds’
- Sustainability Bonds – bonds where bond proceeds are used to finance ‘Eligible green assets’ and ‘Eligible social assets’ as defined in section 2.1 ‘Use of Proceeds’

By issuing Green, Social or Sustainability bonds, Swedbank promotes and supports the long-term development of sustainable solutions through financing sustainable innovations and services. Swedbank’s Green, Social or Sustainability bonds will promote the UN SDGs. Swedbank Sustainable Funding Framework is aligned with the ICMA Green Bond Principles (GBP) 2021², Social Bond Principles (SBP) 2021³ and Sustainability Bond Guidelines (SBG) 2021⁴.

The eligible green projects contribute to the EU environmental objectives (Climate Change Adaptation/Mitigation) and the eligibility criteria align, on a best effort basis, with the Technical Screening Criteria of the EU Taxonomy Climate Delegated Act published in April 2021 and formally adopted on 4 June 2021.⁵ In addition, EU Taxonomy DNSH (Do No Significant Harm) principles and Minimum Social

Safeguards are taken into consideration in specific projects where relevant information can be provided by the clients.

The Framework as described herein henceforth applies to all Swedbank Green, Social or Sustainability bonds. Under the Framework, Swedbank AB and Swedbank Mortgage AB may issue Green, Social or Sustainability bonds including Senior Unsecured Debt (Senior Preferred and/or Senior Non-Preferred) or Covered bonds.

In the following pages, the Framework for Swedbank Green, Social and Sustainability bonds will be further explained based on the core components of the GBP, SBP, and SBG:

- Use of Proceeds
- Green and/or Social Asset Evaluation and Selection Process
- Management of Proceeds
- Reporting
- External Review



The
Social Bond
Principles



The
Green Bond
Principles



The
Sustainability Bond
Guidelines

² Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)

³ Social Bond Principles (SBP) 2021 (with June 2022 Appendix 1)

⁴ Sustainability Bond Guidelines 2021

⁵ EU Taxonomy Climate Delegated Act June 2021



2.1. Use of Proceeds

Allocation of net proceeds

The proceeds of each Swedbank Green, Social or Sustainability bond will be used to finance and re-finance, in whole or in part, loans and investments (Eligible Green or Social Assets) that provide clear environmental or social benefits and promote the transition to low-carbon, climate resilient and sustainable economies.

Loans to “pure-play” companies

In addition to loans and investments for specific eligible projects or assets, loans for general corporate purposes to “pure-play” green or social companies can be funded with net proceeds under this Framework. A “pure-play” company is defined as a company deriving 90 per cent or more of its revenue from the Use of Proceeds categories as outlined below.

EU Taxonomy

The mapping to an EU Taxonomy activity is based on a substantial contribution to Climate Change Mitigation and Adaptation. Swedbank will exercise its professional judgement, discretion, and sustainability expertise in the process of defining the Use of Proceeds. Eligible Green or Social Assets will be located within the Nordic and Baltic countries and fulfil the criteria (Eligibility Criteria) as outlined below.

2.1.1. Eligible Green Assets

Renewable Energy

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity⁶

Manufacture of renewable energy technologies (3.1)

Electricity generation using solar photovoltaic technology (4.1)

Electricity generation from wind power (4.3)

Electricity generation from ocean energy technologies (4.4)

Electricity generation from hydropower (4.5)

Storage of electricity (4.10)

UN SDG



Renewable energy projects, including the production, and development of products and related infrastructure and technologies from the following sources:

- Wind energy.
- Solar energy.
- Ocean energy.
- Hydro energy⁷, that complies with either of the following criteria:
 - The electricity generation facility is a run-of-river plant and does not have an artificial reservoir.
 - The power density of the electricity generation facility is above 5 W/m².
 - The life-cycle GHG emissions from the generation of electricity from hydropower are lower than 100g CO₂e/kWh.
- Pumped storage facilities must also meet one of the following criteria:⁸
 - The facility is demonstrably purposefully built-in conjunction with intermittent renewables.
 - The facility is contributing to a grid which already has a share of intermittent renewables deployment of at least 20% or has credible evidence of programmes in place that increase the share of intermittent renewables to this level within the next 10 years.
 - The facility can credibly demonstrate that the pumped storage will not be charged with an off-peak grid intensity that is higher than the intensity of the electricity that it will displace when it is discharged.

⁶ Mapping to EU Taxonomy activity based on substantial contribution to Climate Change Mitigation

⁷ Excluding large hydropower plants (having an energy capacity >1000MW)

⁸ [Climate Bonds Initiative Hydro Power Criteria](#)

Energy Efficiency

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Manufacture of other low carbon technologies (3.6)

Transmission and distribution of electricity (4.9)

Storage of electricity (4.10)

Storage of thermal energy (4.11)

UN SDG



Energy efficiency projects from renewable sources or alternatively combined sources with life-cycle emissions below 100g CO₂e/kWh, including:

- Energy transfer - Transmission, infrastructure or equipment of electricity, including smart grid solutions.
- Energy storage - Construction and operation of facilities that store electricity or thermal energy and return it at a later time, in the form of electricity, heat or cooling.

Energy efficiency technologies⁹

- Development, manufacture and/or installation of energy efficiency technologies and products such as efficient appliances, smart meters.
- Energy efficient machinery in industrial or manufacturing processes, products/appliances that are more energy efficient, and meters that help track/monitor energy efficiency.
- Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of Industrial/utility processes (i.e. reduction of heat losses and/or increased waste heat recovery).

District heating/cooling

- Construction and operation of pipelines and associated infrastructure using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat.¹⁰

Green Buildings

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Construction of new buildings (7.1)

Renovation of existing buildings (7.2)

Acquisition and ownership of buildings (7.7)

UN SDG



New buildings

Green buildings, either residential or commercial real estate, that meet either criteria 1 or 2 and if larger than 5000m² also criteria 3, subject to data availability:

1. Construction of new buildings with an energy performance classification that is at least 10% lower than the primary energy demand resulting from the current national building regulation in accordance with NZEB requirements.¹¹
2. Construction of new buildings that have one of the following recognised environmental certificates¹² and as minimum, demonstrating or expected to demonstrate compliance with the Energy Performance Certificate (EPC) class C in Sweden of that year's National Building Regulation, or equivalent EPC class in the Nordic and Baltic countries:
 - BREEAM (minimum certification "very good").
 - LEED (minimum certification "gold").

⁹ Excluding projects that improve the energy efficiency of fossil fuel production and/or distribution if the company itself does not have a Paris aligned 1.5-degree business strategy

¹⁰ EU Directive 2012/27/EU on Energy Efficiency <https://www.legislation.gov.uk/eudr/2012/27>

¹¹ NZEB means "nearly zero-energy building", a building that has a very high energy performance regulated in the Energy Performance of Buildings Directive (EPBD), thus Member States have the responsibility to define their national building code in line with NZEB. In Sweden, NZEB requirements for energy performance is in accordance with energy class C

¹² Swedbank promotes the use of green certifications as a holistic approach to sustainability in property, including environmental and social criteria beyond energy use. For additional detail, see: [BREEAM LEED Passive House Miljöbyggnad Nordic Swan Ecolabel](#)

New buildings (contn.)

- Passive House.
 - Miljöbyggnad (minimum certification “silver”).
 - Nordic Swan Ecolabel.
 - Or any equivalent certification as determined by Group Sustainability at Swedbank.
3. Buildings larger than 5000m² must have a demonstrated life-cycle Global Warming Potential¹³ and upon completion the buildings undergo testing for airtightness and thermal control.

Existing buildings

Ownership or acquisition of buildings, either residential or commercial real estate built before 2021, that meet either criteria 1, 2 or 3 and if over 290kW also criteria 4, subject to data availability:

1. An Energy Performance Certificate (EPC) class A.
2. An energy performance in the top 15% of the national existing stock per building type (distinguishes between residential and non-residential buildings) in terms of operational Primary Energy Demand.
3. Buildings with an environmental certificate (in line with point 2 for new buildings) and as minimum, certification demonstrating compliance with the EPC class C in Sweden of that year's National Building Regulation, or equivalent EPC class in the Nordic and Baltic countries.¹⁴
4. A large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290kW) efficiently operated through energy performance monitoring and assessment.¹⁵

Property upgrades

Property upgrades, of either residential or commercial real estate, that meet one of the following criteria:

- The renovation is compliant with the applicable national regulations for major renovations. The energy performance of the building or the renovated part that is upgraded meets cost-optimal minimum energy performance requirements in accordance with the respective directive.¹⁶
- The renovation achieves energy savings of at least 30% in comparison to the baseline performance of the building before the renovation.

¹³ In Sweden this entails the Climate Declaration for new construction of buildings in Sweden covering the life-cycle climate impact, regulated by Swedish law from Jan 2022

¹⁴ Swedbank promotes the use of green certifications as a holistic approach to sustainability in property, including environmental and social criteria beyond energy use. By incorporating a minimum EPC class of C, we ensure a baseline of energy performance in the property itself

¹⁵ This can be demonstrated, for example, through an Energy Performance Certificate or a building automation and control system

¹⁶ As set in the applicable national and regional building regulations for 'major renovation' implementing [EU Directive 2010/31/EU](#)

Sustainable Management of Living Natural Resources and Land Use

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event (1.2)

Forest management (1.3)

Conservation forestry (1.4.)

Restoration of wetlands (2.1)

UN SDG



Sustainable management of forestry that meets any of the following certifications:

- Forest Stewardship Council (FSC).
- Programme for the Endorsement of Forest Certification (PEFC) to promote sustainable forestry and responsible sourcing.

Sustainable land use and biodiversity conservation

- Conservation of terrestrial and aquatic biodiversity including the protection of coastal, marine and watershed environments.
- Sustainable management of living natural resources and land use, including rehabilitation, restoration and conservation of ecosystems from a degraded state.
- Sustainable aquaculture that does not impact critical habitats and ecosystems (e.g. mangroves, wetlands, wild and endemic species) through the release of waste, contaminated water and nutrients, usage of pharmaceuticals and pesticides above safe limits and ecological interactions.
- Sustainable fisheries that do not deplete endangered fish stocks, with certification under the Marine Stewardship Council (MSC) for fisheries or the Aquaculture Stewardship Council (ASC) for aquaculture or other equivalent certification schemes.

Pollution Prevention and Control

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Electricity generation from bioenergy (4.8)

Production of heat/cool from bioenergy (4.24)

Collection and transport of non-hazardous waste in source segregated fractions (5.5)

Anaerobic digestion of sewage sludge (5.6)

Anaerobic digestion of bio-waste (5.7)

Material recovery from non-hazardous waste (5.9)

UN SDG



Sustainable waste management

- Waste management such as recycling.
- Biogas production of organic waste.
- Non-recyclable municipal waste for incineration.
- Forest biomass from areas that have, or meet the requirements for, FSC or PEFC certifications.

Sustainable Water and Wastewater Management

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Construction, extension and operation of water collection, treatment and supply systems (5.1)

Renewal of water collection, treatment and supply systems (5.2)

Construction, extension and operation of wastewater collection and treatment (5.3)

Renewal of wastewater collection and treatment (5.4)

UN SDG



Water and wastewater management that increase water-use efficiency, water recycling and reuse, including:

- Water saving systems and technologies and water metering.
- Water treatment facilities, activities and technologies that increase water quality, sanitation facilities.
- Upgrades to wastewater treatment plants to remove nutrients, wastewater discharge infrastructure.

Clean Transportation

EU Environmental Objective

Climate Change Mitigation

EU Taxonomy Activity

Passenger interurban rail transport (6.1)

Freight rail transport (6.2)

Urban and suburban transport, road passenger transport (6.3)

Transport by motorbikes, passenger cars and light commercial vehicles (6.5)

Freight transport services by road (6.6)

Inland passenger water transport (6.7)

Inland freight water transport (6.8)

Retrofitting of inland water passenger and freight transport (6.9)

Sea and coastal freight water transport, vessels for port operations and auxiliary activities (6.10)

Passenger and public transport

- Public passenger transport (e.g., metro, tram, bus, train, ferries), passenger cars and commercial vehicles, or mopeds and motorbikes with zero tailpipe emissions (e.g., hydrogen, fuel cell, electric).
- Low-carbon vehicles for passenger cars and commercial vehicles with tailpipe emission intensity lower than 50g CO₂/km (WLTP)¹⁷ until 2025.

Freight¹⁸

- Rail, road or water transport vehicles with zero direct tailpipe CO₂ emissions (e.g., electric, hydrogen).
- Low-emission freight with specific direct CO₂ emissions of less than 50% of the reference CO₂ emissions of all vehicles in the same sub-group to which the freight type belongs.

Infrastructure

- Infrastructure that is required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, bicycle paths).
- Infrastructure and installations that are dedicated to urban and suburban public passenger transport, including associated signalling systems for metro, tram and rail systems.

¹⁷ Worldwide Harmonized Light-Duty Vehicles Test Procedure (WLTP), is the CO₂ measuring tool being used from January 2020

¹⁸ Excluding systems and infrastructure used primarily for the transportation of fossil fuels

Sea and coastal passenger water transport (6.11)

Infrastructure for rail transport (6.14)

Infrastructure enabling low-carbon road transport and public transport (6.15)

Infrastructure enabling low carbon water transport (6.16)

UN SDG



Climate Change Adaptation

EU Environmental Objective

Climate Change Adaptation

EU Taxonomy Activity¹⁹

Forest management (1.3)

Electricity generation from hydropower (4.5)

Installation, maintenance and repair of energy efficiency equipment (7.3)

Infrastructure for rail transport (6.14)

Infrastructure enabling road transport and public transport (6.15)

Infrastructure for water transport (6.16)

UN SDG



Renewable energy

- Investments in resilient water dams for adapting to water stress, water shortage and water surplus.

Green buildings

- Flood defence and stormwater management systems.
- Green roofs and walls.
- Constructing resilient buildings in high-risk environments (e.g., in areas affected by landslide, coastal erosion, sea level rise, heavy precipitation).²⁰

Natural resources

- Alternative pest control to deal with the projected acceleration of pest growth rates.
- Forest fire risk prevention.
- Infrastructure and equipment (e.g., fire airplanes, new forest roads, fire equipment).

Transportation

- Acute and preventive measures for transport infrastructure (roads, bridges, terminals) for adapting to changed weather patterns (e.g., wind, water, snow).

¹⁹ Mapping to EU Taxonomy activity based on substantial contribution to Climate Change Adaptation

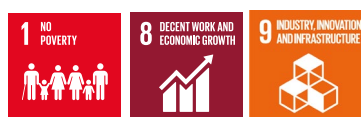
²⁰ A Renovation Wave for Europe - Table 1 of Annex I of Commission Implementing Regulation (EU) 2020/1208



2.1.2. Eligible Social Assets

Employment Generation

UN SDG



- Generating employment in socioeconomically weak areas²¹ or rural areas²² with above average unemployment rates²³ through financing for SMEs²⁴.

Target population: Populations in socioeconomically weak areas or rural areas²⁵ with high unemployment rates.

- Supporting businesses and individuals in the case of extraordinary circumstances (e.g., natural disasters, pandemics, or other crises).

Target population: Beneficiaries as a result of natural disasters, pandemics, or other crises.

²¹ Sweden: as per Delmas methodology detailed in the appendix. Baltic: Socioeconomically weak areas are defined as counties with both an unemployment rate [Estonia, Latvia, Lithuania](#) higher than the national average and an average income [Estonia, Latvia, Lithuania](#) below the national average. See method in appendix

²² Sweden: Rural areas determined by the municipality division by SKR using rural municipality and commuting municipality. For additional detail, see appendix

²³ Sweden: Higher than the average national unemployment rate. [Arbetsförmedlingen - Statistik](#)

²⁴ Using the [EU definition](#) for micro and small companies ranging up to 10 MEUR in turnover and less than 50 employees

²⁵ Regions and areas will be validated by the Sustainable Bond Committee and third-party auditing to ensure alignment to the objective of enabling access to underserved communities

Affordable Housing

UN SDG



- Improving access to affordable mortgages.²⁶

Target population: Including low-income families, first time homeowners and youth.

- Improving access to affordable rental housing.²⁷

Target population: Tenants providing leases with affordable tenancy²⁸ such as for populations in socioeconomically weak areas, students and/or low-income individuals.

Socioeconomic Advancement and Empowerment

UN SDG



- Empowering activities aiming to reduce inequality in the areas of diversity, inclusion, and gender, and/or protecting the rights of beneficiaries.²⁹

Target population: Specific groups in need of empowerment, for example groups legally protected from discrimination regarding gender, age, sexual orientation, sexual identity, ethnicity/background, religion and physical or mental ability.

- Strengthening entrepreneurship through financing female- operated, managed or owned (majority owned by women) SMEs. A woman owned enterprise meets the criteria if: $\geq 51\%$ owned by woman/women.³⁰

Target population: Female individuals.

- Advancing the residential life in socioeconomically weak areas through refurbishments and improvements of residential properties and the surrounding areas.³¹

Target population: Populations in socioeconomically weak areas.

²⁶ See appendix for affordable mortgages definition

²⁷ Financing of assets like new construction, extension or conversion to apartment buildings and detached houses leased with affordable tenancy as per local regulation

²⁸ Government sponsored affordable tenancy programmes, including the Support for Rental Housing and Housing for Students program supported by Swedish National Board of Housing, Building and Planning ([Boverket](#)). methodology for which is detailed in appendix

²⁹ Organisations and projects such as integration programs, campaigns, but also shelters and other activities that also protects these groups

³⁰ IFC definition of [Women-owned Enterprise](#)

³¹ The selected projects will be validated by both Sustainable Bond Committee as well as the third-party auditing to ensure it is aligned to the objective of assessing vulnerability and the social necessity of the upgrade and is only considered if there is credible evidence available for the specific project under scrutiny

Access to Essential Services – Education and Healthcare

UN SDG



- Public, non-profit, free or subsidized services, activities or business operations solving, enabling and promoting access to education including but not limited to:
 - Activities that expand access to quality education: increasing the number of qualified teachers and improving the quality of teaching.
 - Activities that ensure that education and learning environments are inclusive and accessible to all students and responsive to their needs and circumstances.
 - Construction, maintenance or renovation of fully or partly publicly funded educational infrastructure and improving quality of equipment.

Target population: Individuals and communities that are considered underserved, unemployed, migrants or displaced persons, minorities, people with disabilities and vulnerable youth.

- Public, non-profit, free or subsidized services, activities or business operations solving, enabling and promoting access to healthcare, including but not limited to:
 - Activities that expand access to hospitals, medical equipment, homes or health facilities (nursing homes, rehabilitation centers).
 - Construction, maintenance or renovation of fully or partly publicly funded hospitals and healthcare facilities improving the quality of the existing healthcare facilities and equipment.

Target population: Individuals and communities that are considered underserved, such as the elderly, people suffering from psychological diseases, disabilities or addictions.

2.2. Sustainable Asset Evaluation and Selection Process

The Sustainable Asset Evaluation and Selection Process is key for ensuring that the assets financed by Green, Social or Sustainability bond proceeds are allocated to projects and assets which meet the criteria in the Framework in Section 2.

The process establishes and explains the internal procedures for the evaluation, selection, approval, and registration of green or social assets that are eligible for inclusion in the Green Asset Register or Social Asset Register (combined referred to as the Sustainable Asset Register). The process is based on the criteria and components described in the Framework. The process will also ensure that Green, Social or Sustainability bond proceeds do not fund activities falling outside the criteria for Eligible Green or Social Assets.

2.2.1. The Credit Process

The Sustainable Asset Evaluation and Selection Process is part of the regular credit process in which the client, project or asset is approved for financing by Swedbank. All loans go through the ordinary credit process, which includes a Know-Your-Customer (KYC) procedure, sustainability risk assessment³² (see further details in 1.2), credit risk analysis, and finally a credit decision in a credit committee. The credit process and the evaluation process of Eligible Green or Social Assets is an iterative process, implying that decisions in the credit committee do not always precede the evaluation of assets' green or social eligibility in the Sustainable Bond Committee. Only assets approved in the regular credit process can be eligible for Green, Social or Sustainable bond issuances; the qualification for green or social criteria does not override credit risks.

The sustainability risk assessment is based on Swedbank Group's sustainability policy framework, including position statements and exclusion list, and is guided by a number of sector guidelines.³³ These guidelines are tools to identify sector specific risks and highlight international conventions and standards

which are relevant for the risk assessment.

Swedbank's exclusion list is based on Swedbank's position statements on defence equipment and climate change³⁴ and states what businesses and projects that are excluded from financing by Swedbank, for example:

- Swedbank applies a zero-tolerance principle for financial services to customers belonging to a group that is manufacturing, maintaining, modernising, selling or buying nuclear weapons or illegal weapons such as anti-personnel mines, cluster bombs, chemical weapons and biological weapons.
- Swedbank never finances nor facilitates the export of defence equipment or services to any country that is subject to EU or UN sanctions.
- Swedbank does not directly finance coal mines, coal-fired power generation or the establishment of new coal-fired powerplants, exploration of new oil or gas fields, unconventional fossil fuel production such as shale oil/gas, arctic oil/gas or oil sand, new crude refineries or expansion of crude refinery capacity for transportation fuel (except biofuel production) or new vessels designed with the sole purpose of and dedicated to the transportation of crude oil (crude oil tankers).

2.2.2. Selection of Eligible Green or Social Assets

The assets which are potentially eligible for inclusion in the Sustainable Asset Register are initially screened and selected by the business units. The business unit fills in a pre-defined Sustainable Asset Application including supporting documentation such as information regarding EU Taxonomy Technical Screening Criteria, Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS), subject to data availability. The application is submitted to Group Sustainability. The information in the application describes the type of asset, relevant key performance

³² For corporate customers with exposures below SEK 8m, Swedbank performs a basic assessment of sustainability-related factors, depending on the type of business and its complexity. For corporate customers with exposures of at least SEK 8m, Swedbank conducts a sustainability analysis of the customer using the bank's Corporate ESG analysis tool.

³³ Swedbank Group's Sustainability Policy Framework

³⁴ The Swedbank Position Statements

indicators and forms the basis and support for the Sustainable Bond Analysis defined below. Portfolio evaluation will also be possible when sufficient data are available, project demands are met, and all criteria are fulfilled.

2.2.3. Sustainable Bond Analysis

On the basis of the Sustainable Asset Application and supporting documents, Group Sustainability performs a Sustainable Bond Analysis of the asset to determine if it is compliant with the criteria defined in the Framework in Section 2.1. The climate, environmental, or social benefits are reviewed, evaluated and quantified. If the asset complies with the established criteria in the Framework, Group Sustainability will send a proposal for recommendation to the Sustainable Bond Committee.

2.2.4. Sustainable Bond Committee

The Sustainable Asset Application is presented to the Sustainable Bond Committee which reviews the result of the Sustainable Bond Analysis and determines whether the project is an Eligible Green or Social Asset for a Swedbank Green, Social or Sustainability bond in accordance with the Framework.

The Sustainable Bond Committee is chaired by the Head of Group Sustainability (or another person appointed by the Head of Group Sustainability) and consists of representatives from relevant functions

such as Group Risk, Group Treasury, Large Corporates and Institutions and Swedish Banking (Retail), and Baltic Banking. Group Sustainability has a veto right in the committee. The Committee is responsible for governing the Swedbank Sustainable Funding Framework, the approval of the allocation of the Green, Social or Sustainability bond proceeds and the environmental and social impact reporting of the Sustainable Asset Register.

Sustainable Bond Committee meetings will be held at least every 6 months or when it is considered necessary. Decisions made by the Sustainable Bond Committee will be recorded in the minutes and be accessible to the auditors.

2.2.5. Registration of Eligible Green or Social Assets

Following an approval in the Sustainable Bond Committee, the Eligible Green or Social Assets are registered in the Sustainable Asset Register which will be monitored during the term of the Green, Social or Sustainability bonds. The Sustainable Asset Register is used for continuous monitoring, matching and reporting of the use of proceeds, to track the proceeds and to ensure that Green, Social or Sustainability bonds proceeds are sufficiently allocated to Eligible Green or Social Assets. Eligible Green or Social Assets will be registered using a unique identifier.

2.3. Management of Proceeds

Swedbank tracks the proceeds of its Green, Social or Sustainability bonds. The Sustainable Asset Register will be monitored by Group Treasury on a quarterly basis to ensure that all proceeds from Green, Social or Sustainability bond issuances are allocated to a corresponding amount of Eligible Green or Social Assets.

For any Swedbank Green, Social or Sustainability bond to be issued, the Sustainable Assets Register must have identified and determined a volume of Eligible Green or Social Assets at least amounting to the intended issuance size.

Funds may be reallocated to other Eligible Green or Social Assets at any time during the term of the bond.

In the case of Eligible Green or Social Assets exiting the Sustainable Asset Register due to divestments, maturities or other reasons, Swedbank will primarily, on a temporary basis, seek to redistribute proceeds to other Eligible Green or Social Assets.

In the case that there are no Eligible Green or Social Assets available, proceeds will be temporarily invested in accordance with our internal sustainability policy framework and the requirements for the liquidity reserve, with a preference for GBP, SBP, or SBG aligned Green, Social or Sustainability bonds, given adequate market availability.

2.4. Reporting

To be fully transparent towards the Green, Social or Sustainability bond investors and other market stakeholders, Swedbank commits to report allocation and impact on portfolio level, at least on an annual basis, or if there are material changes to the Register, on the Use of Proceeds and the environmental and/or social output of the Sustainable Asset Register. Reporting will be provided until maturity of all bonds. This will be available on Swedbank's webpage.³⁵

2.4.1. Use of Proceeds Reporting

The Use of Proceeds Report will detail:

- Total amount of Green, Social or Sustainability bonds issued
- Allocation of proceeds within each Eligible Green or Social Asset category
- Total amount of unallocated proceeds
- Share of proceeds used for financing/re-financing
- The geographical distribution of the assets

2.4.2. Impact Reporting

The Impact Report will include details on the environmental or social outputs of the Sustainable Asset Register (the financed Eligible Green or Social Assets on portfolio level). Swedbank intends to align, on a best effort basis, the impact reporting with the

approach described in ICMA's Harmonised Framework for Impact Reporting^{36 37}.

Depending on the type of green or social loan, the impact reporting will differ. However, examples of key performance indicators to be included in the environmental and social output reporting are: renewable energy production, energy savings, avoided emissions, and number of loans to women-owned SMEs. Given the diversity of social assets and impacts, the table below may not capture the specific assets impact measurements in the Sustainable Asset Register, thereby additional project-specific measurement might be complemented. These key performance indicators measuring the social output will evolve and develop accordingly.

Information with respect to borrowers and their businesses and projects will be subject to permitted disclosure in accordance with relevant confidentiality agreements. The impact report will be reviewed and approved by the Sustainable Bond Committee. The integrated impact indicators included in the report will highlight the expected or actual environmental or social output of the Eligible Green or Social Assets that Swedbank finances.

Examples of quantitative impact indicators are outlined in the table below.

³⁵ The Swedbank's Sustainable Bonds Website

³⁶ ICMA Harmonised Framework for Impact Reporting for Green Bonds June 2022

³⁷ ICMA Harmonised Framework for Impact Reporting for Social Bonds June 2022

Green Bond Principles category	Sub category	Quantitative impact indicators
Renewable Energy	Wind, solar, ocean and hydro energy	Installed capacity added (MW)
		Expected annual generation (MWh)
		Estimated annual GHG emissions avoided (tCO ₂ e)
Energy Efficiency	Energy storage, smart grids, district heating or cooling	Storage capacity (MW)
		Distribution capacity (MW)
Green Buildings	New buildings, existing buildings, and property upgrades	Amount of energy saved (MW)
		Estimated annual GHG emissions reduced or avoided (tCO ₂ e)
Sustainable Management of Living Natural Resources and Land Use	Sustainable forestry	Land area certified (hectare)
	Sustainable land use and biodiversity conservation	
Pollution Prevention and Control	Waste management	Recycling (tons)
		Production capacity (MW)
		Estimated annual GHG emissions reduced or avoided (tCO ₂ e)
Sustainable Water and Wastewater Management	Water saving systems and technologies and water metering	Annual absolute (gross) water savings (in m ³ or in %)
	Water treatment facilities, activities and technologies that increase water quality, sanitation facilities	Annual absolute (gross) amount of wastewater treated, reused or avoided (in m ³ or in %)
	Upgrades to wastewater treatment plants to remove nutrients, wastewater discharge infrastructure	
Clean Transportation	Public passenger transport and low-carbon vehicles, freight, and infrastructure	Passenger/public passenger transport (No)
		GHG emissions per kilometre (CO ₂ e)
		Estimated annual GHG emissions reduced or avoided (tCO ₂ e)
Climate Change Adaptation	Renewable energy, green buildings, natural resources, and transportation	Reduction in flood damage costs
		Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m ³
		Reduction in land loss from inundation and/or coastal erosion in km ²
		Additional water availability and/or increased water catchment in m ³ /year
		Reduction in the number of wildfires, and/or in the area damaged by wildfires in km ²
		Increased number of households with access to resilient energy systems
		Reduction in changes in the nutrient and/or pH level for agricultural soils
		Reduced/avoided loss of livestock and/or crops
		Number of km of road, rail or other infrastructure adapted

Social Bond Principles category	Sub category	Quantitative output indicators ³⁸
Socioeconomic Advancement and Empowerment	Advancing the residential life in socioeconomically weak areas	Amount spend on refurbishments of residential in the targeted area
		Amount spend on improvements in the surrounding outdoor environments in the targeted areas
		Number of people positively affected by the refurbishments and improvements
	Promoting diversity, inclusion, and gender equality, and/or protecting the rights of vulnerable groups	Number of financed activities
		Number of individuals positively affected by the financed activities
	Female-owned business	Number of supported female business owners
Access to Essential Services – Education and Healthcare	Education for underserved individuals and communities	Number of activities financed
		Number of beneficiaries trained/graduated
		Increase in School/University capacity
	Healthcare for underserved individuals and communities	Number of activities financed
		Number of beneficiaries
		Statistics of increased health and wellbeing of people
		Increase in healthcare/hospital capacity
Employment Generation	Generating employment in socioeconomically weak areas or in rural areas with above average unemployment rates	Number of jobs protected and created in these areas
	Supporting business continuity in the case of extraordinary circumstances	Number of beneficiaries who have been affected by extraordinary circumstances (e.g. natural disasters, pandemics, or other crises)
Affordable Housing	Affordable mortgage loans	Number of beneficiaries among the target population
	Affordable rental housing	Share of underserved tenants
		Number of new rental housing financed

³⁸ HFIR, ICMA 2020



2.5. External Review

2.5.1. Second Party Opinion

Swedbank has obtained a Second Party Opinion by ISS ESG, to confirm the transparency and robustness of the Swedbank Sustainable Funding Framework. The Second Party Opinion will be published on Swedbank's webpage.³⁹

2.5.2. Post Issuance Verification

An independent external auditor will be requested to review the Use of Proceeds Reporting to provide limited assurance on the allocation of proceeds conformity to the Swedbank Sustainable Funding Framework. The assurance report will be published on Swedbank's webpage.⁴⁰

³⁹ The Swedbank's Sustainable Bonds Website

⁴⁰ The Swedbank's Sustainable Bonds Website



3. Appendix - Social Assets

3.1. Socioeconomically Weak Areas

Sweden

The Delegation Against Segregation (Delmos) and Statistics Sweden (SCB) have developed a nationwide index that highlights how different areas relate to each other in terms of socioeconomic status. The index is based on Regional Statistics Areas (RegSO) and relevant statistical indicators are weighed together into a coherent index.

The different indicators are: share of people with upper secondary education (20-64 years), percentage of people with low economic standards (regardless of age), share of people with financial assistance and/or long-term unemployed (20-64 years). The indicators have been weighted into 5 groups of areas, 1 being areas with large socioeconomic challenges and 5 being areas with very good socioeconomic conditions.

Area Types

Area type 1 - areas with major socioeconomic challenges

Area type 2 - areas with socioeconomic challenges

Area type 3 - socioeconomically mixed areas

Area type 4 - areas with good socioeconomic conditions

Area type 5 – areas with very good socioeconomic conditions.

Areas 1 and 2 fall under the collective concept of areas with socioeconomic challenges, which the assets would need to fall under to be considered eligible under this Framework.

Source: [Segregationsbarometern](#)

Baltic countries

Estonia: Socioeconomically weak areas are defined as counties with both an: unemployment rate higher than the national average and an average income below the national average.

Latvia: Socioeconomically weak areas are defined as counties with both an unemployment rate higher than the national average and average income below the national average.

Lithuania: Socioeconomically weak areas are defined as counties with both an unemployment rate higher than the national average and average income below the national average.

Source: [Estonia official statistics](#), [Latvia official statistics](#), [Lithuania official statistics](#)

3.2. Rural Areas

Sweden

Sveriges Kommuner och Regioner (SKR) – Swedish Association of Local Authorities and Regions definition:

Rural areas using select SKR definitions of rural municipality and commuting municipality.

- Rural municipalities - municipalities with a population of less than 15 000 inhabitants in the

largest urban area, very low commuting rate (less than 30%).

- Rural municipalities with a visitor industry – municipalities in rural area that fulfil at least two criteria for visitor industry, i.e. number of overnight stays, retail-, restaurant- or hotel turnover in relation to the number inhabitants.

Source: [SKR](#)

3.3. Affordable Mortgages

Baltic Countries

In order to increase Affordable Housing opportunities in the Baltic countries, the national states have defined and initiated Affordable Mortgage Schemes.

Swedbank considers affordable mortgage loans in Estonia, Latvia and Lithuania eligible under this Framework, if they meet the Affordable Mortgage schemes criteria in the respective states. Through this, Swedbank aims to increase access to affordable and flexible mortgage loans with lower down-payment for targeted populations (which include low-income families, first time homeowners and youth).

To ensure a robust selection of assets are included in the Sustainable Asset Register, Swedbank will apply a net income threshold for all affordable mortgage loans:

- If one borrower: net income of the individual should be lower than the national average income
- If more than one borrower(s): the combined income of the individuals should be less than 1.5x the national average income

Sweden

Similar schemes will be taken into consideration for loans in the Swedish market.

3.4. Affordable Tenancy

Sweden

Boverket – the Swedish National Board of Housing, Building and Planning defines that to meet the requirement for state subsidy eligibility, the standard rent per square meter of living space per year may not exceed the parameters listed by Boverket in sponsored affordable tenancy program – “Support for Rental Housing and Housing for Students”.

For state subsidy eligibility the standard rent per square meter of living space per year may not exceed:

- SEK 1,550 in the Stockholm region
- SEK 1,450 in the regions near Stockholm, in the Gothenburg and Malmö regions, in other municipalities with high and lasting population growth, in other large municipalities and student housing outside the Stockholm region
- SEK 1,350 in the rest of the country.

The maximum allowable rents listed above apply from May 1, 2018 and are valid as of the publication date of the Framework.

Source: [Boverket](#) - Support for Rental Housing and Housing for Students

Swedbank

