



Green Bond Framework

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1. Sustainability at SpareBank 1

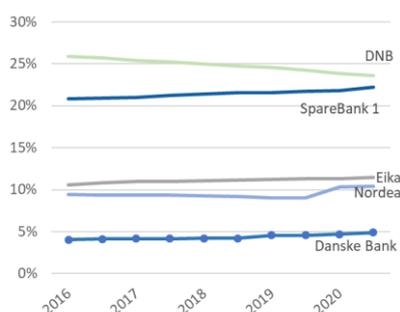
About SpareBank 1

SpareBank 1 is a Norwegian savings bank alliance. The 15 member banks jointly own the company SpareBank 1 Group (SpareBank 1 Gruppen AS), which in turn is the holding company for various SpareBank 1 financial services companies in Norway, including SpareBank 1 insurance and asset management (Odin Forvaltning) companies. The 15 individual member savings banks, which operate their household and corporate lending activities in each of their respective Norwegian regions, are also joint owners of the SpareBank 1 bank cooperation (SpareBank 1 Banksamarbeidet DA) which organises several joint activities (including operations) of the alliance member banks. The member banks jointly own the covered bond issuer SpareBank 1 Boligkreditt directly, as well as other units¹. Please see a schematic illustration of the SpareBank 1 Alliance below:



Overall, SpareBank 1 is Norway's second largest banking group with approximately NOK 1,200bn of total assets as of year-end 2020. SpareBank 1 Boligkreditt solely acquires residential mortgages from the SpareBank 1 alliance member banks in order to refinance these in the covered bond market. SpareBank 1 Boligkreditt's mortgage portfolio of NOK 209 bn as of year-end 2020 represents the major part of the total assets of the specialised mortgage credit institution, with a liquidity portfolio as well as market hedges and associated collateral held forming the other constituent parts of the balance sheet.

The chart below illustrates the mortgage market shares for some banks in the Norwegian residential mortgage market. DNB is the largest bank by assets, while SpareBank 1 alliance banks have in total increased their residential mortgage market share over time.



¹ SpareBank 1 SR Bank ceased to be an owner bank of SpareBank 1 Boligkreditt as of the end of 2020. This change is a result of SR Bank's change strategy with regards to covered bond funding, issuing its own label covered bonds, rather than through the Alliance joint issuing platform SpareBank 1 Boligkreditt.

SpareBank 1's Sustainability Approach

The SpareBank 1 banks continuously seek to improve efforts and activities which contribute to increased sustainability. All the major member alliance banks (approximately 75 to 80 per cent. of the total assets of the SpareBank 1 banks) have signed up for the United Nations Global Compact, which is the world's largest corporate sustainability initiative. This means that they work to integrate sustainability aspects in their business operations in the areas of human rights, labour, the environment and anti-corruption. The banks' jointly owned asset manager, Odin, is a signatory of the Principles for Responsible Investment (PRI) and the SpareBank 1 Group is a sponsor of the Global Opportunity Explorer which is an initiative to integrate the UNs Sustainable Development Goals into practical solutions for cities and business opportunities for companies. The major SpareBank 1 banks were founding signatories to the UN environment programme's finance initiative.

The SpareBank 1 member banks have notably taken initiatives in regards to climate change. The alliance banks are legally independent entities and therefore both business practices and initiatives, such as concrete steps to protect the environment, may be slightly different across the banks. The member banks nonetheless work closely together in a number of areas and tend to develop and identify best practices collectively over time.

- Each bank details its own use of resources in an environmental impact report. Each bank seeks to reduce the use of resources and the use of such resources' negative impact on the environment. The banks produce energy and climate reporting, which gives a detailed account of the CO2 equivalent emissions for each organisation. Most of this reporting already follows (or implementation is underway) the international standard "Corporate Accounting and Reporting Standard" which was developed by the "Greenhouse Gas Protocol Initiative". The purpose of this type of report and accounting is to address and reduce overall climate gas emissions in the organisations.²
- Signatories to the UNEP Finance Initiative make annual reports on their progress on sustainability, including targets set. Member banks of the initiative can be viewed here: <https://www.unepfi.org/members/>
- All the banks have developed a joint policy on sustainability for suppliers encompassing all four major areas of sustainability, including environmental factors.
- Several SpareBank 1 member banks, including three of the largest banks, are certified as 'Ecolighthouses' in Norway. This is an initiative where over 5400 Norwegian private companies, public institutions and other organisations have become certified and follow certain industry specific rules and principles to reduce their environmental impact. The EU recognised Norway's Ecolighthouse arrangement in December 2017, meaning it complies with the eco-management and audit scheme (EMAS) in the European Union.
- The lending activities of the SpareBank 1 banks are limited to Norway and approximately nearly 70% of the aggregate lending volume in the alliance member banks are for household mortgages. The remainder is lending to small and medium sized enterprises. Environmental risks are an integral part of the risk assessment procedure in each bank.. An assessment is made with respect to a business customer potentially being engaged in activities which harm the physical environment. Norway's regulatory regime is rules-based and strict and considered to be a leading European regime (Norway is a signatory of the Paris climate agreement from 2015). In addition to this, certain industries are excluded from the banks' lending programs, such as coal related companies.
- The largest Boligkreditt owner banks have detailed their sustainability efforts and initiatives under the following parts of their webpages:
 - SpareBank 1 SNN: <https://www.sparebank1.no/en/nord-norge/about-us/about-us/sustainability.html>
 - SpareBank 1 SMN: <https://www.sparebank1.no/en/smn/about-us/sustainability.html>

² The environmental impact reporting may be found on each bank's website, either under a Sustainability segment of the website and/or embedded in the annual financial report.

- SpareBank 1 Østlandet: <https://www.sparebank1.no/en/ostlandet/about-us/sustainability.html>

In alignment with the SpareBank 1 sustainability strategy, SpareBank 1 Boligkreditt is issuing Green Covered Bonds to finance or refinance mortgages for energy efficient residential properties with lower energy needs and consumption. Most SpareBank 1 banks are offering 'environmental (or green) mortgages' to the public at advantageous terms for certain effort such as refurbishments to increase energy efficiency. SpareBank 1 Boligkreditt hopes to contribute to additionally via its green bond offerings, where green mortgage products are facilitated in part through green covered bond funding. This, as well as SpareBank 1 Boligkreditt's broader commitment to sustainability and the green bond market, encompasses the main rationale for issuing green covered bonds.

2. SpareBank 1 Green Bond Framework

SpareBank 1's rationale for Green Bond Issuance

SpareBank 1 believes that green finance instruments are an effective tool to channel investments to projects that have demonstrated climate benefits and thereby contribute to the **achievement of the SDGs set out by the United Nations**³. SpareBank 1 sees the commitment to **decarbonisation of the economy** as a sustainability priority.

Alignment with Green Bond Principles

SpareBank 1 has established this Green Finance Framework under which the Company intends to issue green bonds to finance and/or refinance green loans with a positive environmental benefit.

This Green Bond Framework is based on the International Capital Markets Association ("ICMA") Green Bond Principles ("GBP") 2018 version⁴. These are voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of green bond instruments. Any future changes in the standards mentioned above may be implemented in future versions of this Green Bond Framework.

The SpareBank 1 Green Bond Framework has four core components:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

For each green bond issued, SpareBank 1 asserts that it will adopt (i) Use of Proceeds (ii) Process for Project Evaluation and Selection (iii) Management of Proceeds and (iv) Reporting, as set out in this Framework. The SpareBank 1 Green Bond Framework also follows the recommendations of the Green Bond Principles regarding External Review.

This Framework will apply to any green finance instrument issued by SpareBank 1 and will be in force as long as any green bond is outstanding.

³ To be found [here](#).

⁴ To be found [here](#).

3. Use of Proceeds

SpareBank 1, at its discretion, and in accordance with the Green Bond Principles (GBP), will allocate an amount equal to the net proceeds of the green finance instruments to an eligible loan portfolio of new and existing green loans (“Eligible Green Loan Portfolio”). The eligible loans are to be funded in whole or in part by an allocation of an amount equal to the proceeds from the green finance instruments.

SpareBank 1’s green finance instruments will finance and/or refinance, in whole or in part, Eligible Green Loans (“Eligible Loans”). Eligible Green Loans are defined as loans that meet the Green Eligibility Criteria defined below in the table, which has been prepared in accordance with the ICMA Green Bond Principles.

The definition of the Eligibility Criteria below takes into account the EU Taxonomy Regulation⁵, the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation⁶ and the proposed EU Green Bond Standard⁷.

As long as there are clear EU Taxonomy Technical Screening Criteria (TSC) and feasible practical applications in Norway SpareBank 1 will take the EU Taxonomy into due consideration.

SpareBank 1 has relied on the support of external green real estate consultant Multiconsult ASA to define the associated eligibility criteria below (the “Eligibility Criteria”). Eligible Residential Green Buildings must meet the following eligibility criteria:

⁵ See [here](#).

⁶ See [here](#).

⁷ See [here](#).

GBP Project Category	Description Eligible Green Loans: Eligibility Criteria	Contribution to UN SDGs	Contribution to EU Environmental Objective
<p>Green Residential Buildings</p>	<p>Loans, credits and investments to finance and refinance new or existing residential buildings.</p> <ul style="list-style-type: none"> ▪ Buildings within the top 15% low carbon buildings in Norway: <ul style="list-style-type: none"> ○ New residential buildings in Norway⁸ - completed from 2012 (apartment buildings & other dwellings)⁹ <ul style="list-style-type: none"> ▪ New or existing Norwegian residential buildings that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17)¹⁰ ○ Existing residential buildings in Norway completed before 2012 (apartment buildings & other dwellings)⁸ <ul style="list-style-type: none"> ▪ Existing Norwegian residential buildings with EPC labels reflecting the top 15%¹¹ ▪ Refurbished Green Residential Buildings: <ol style="list-style-type: none"> 1. Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction 2. Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m², compared to the calculated label based on building code in the year of construction <p>For the avoidance of doubt, any future changes to the Eligibility Criteria will not apply to Green Covered Bonds issued before the date of the change.¹²</p>	 	<p>Substantial contribution to Climate Change Mitigation (Article 10), including but not limited to:</p> <p>1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)</p>

⁸ This complies with the criteria set by the Climate Bonds Initiative Standard and Guidance on Low Carbon Residential Buildings, <https://www.climatebonds.net/standard/buildings/residential>.

⁹ A conservative time lag between implementation of a new building code and the buildings built under that code is taken into account in Multiconsult's technical report, hence all residential buildings finished in 2012 and later are all eligible for Green Covered Bonds under this criterion. The Energy Performance Certificate system became operative in 2010. The whole database is available for statistical purposes and an investigation shows that, comparing the number of certificates with actual buildings in the building stock from Statistics Norway, coverage of individual dwellings is less than 50%. This is based on raw data, even before the database has been cleaned of double entries and test entries. Low EPC coverage influences the basis for establishing eligibility criteria based on alternative proxies for building efficiency such as building code and building year of construction

¹⁰ In accordance with the EU Delegated Acts, buildings built from the 1st January 2021 should meet the 'NZEB – 10%' criterion, meaning that the net primary energy demand of the buildings must be at least 10% lower than the primary energy demand resulting from the relevant NZEB requirements. In Norway, a definition for what constitutes an 'NZEB' has not yet been implemented.

¹¹ Qualifying EPCs will be determined with the support of a specialised external consultant and a report will be published substantiating the criteria. At the time of writing Norwegian buildings with EPC labels of A and B are in scope.

¹² Previously eligible TEK07 small residential buildings and EPC C labels built before 2012 have thus been grandfathered as of 30/06/2021 and 31/12/2020 respectively.

4. Process for Project Evaluation and Selection

A dedicated Green Finance Committee has been established to create this Green Finance Framework. Eligible Loans financed and/or refinanced through the Green Finance proceeds are evaluated and selected based on compliance with the Eligibility Criteria. The committee consists of members of the SpareBank 1 banks and Boligkreditt management, as well as Treasury and Sustainability functions in Boligkreditt's owner banks. The committee will manage any future updates to the Framework, including expansions to the list of Eligible Categories and changes in the green bond standards on a best effort basis, and oversee its implementation. When assessing prospective Eligible Green Loans and their non-financial impacts, SpareBank 1 may rely on analysis provided by external parties, in addition to its own assessment.

The Green Finance Committee monitors the Eligible Green Loan Portfolio after each reporting period and is also responsible for:

- Reviewing the content of SpareBank 1's Green Finance Framework and updating it to reflect changes in sustainability strategy, market and regulatory developments on a best effort basis
- Excluding loans that no longer comply with the Eligibility Criteria and replacing them on a best efforts basis

Following the EU Delegated Acts on EU Taxonomy Regulation and the EU Green Bond Standard ("EU GBS"), Eligible Loans should not only contribute to at least one of the EU Environmental Objectives, however should also not significantly harm ('DNSH') any other EU Environmental Objectives. In addition, Eligible Loans should be complying with Minimum Social Safeguards that should be in place at company level.

The Usability Guide to the EU Green Bond Standard¹³, published in March 2020 clarifies that when the EU Taxonomy refers to qualitative criteria, the assessment and verification of DNSH and Minimum Social Safeguards could conclude positively on compliance with local, EU Regulation and international standards and the existence of strong corporate due diligence and risk management systems.

In accordance with the recommendations above, SpareBank 1 takes care that the Eligible Green Loan Portfolio complies with official international, national and local laws and regulations on a best effort basis. The terms and conditions that govern SpareBank 1's business lending require borrowers to comply with all applicable laws, regulations and practices and that they will comply with all authorisations, consents, approvals, waivers, resolutions, licences, permits, exemptions or registrations related to the asset financed.

The Eligible Green Loan Portfolio is required to align SpareBank 1's related internal sustainability codes and policies, including SpareBank 1' ESG Policy. SpareBank 1 recognises the need to align frameworks, policies and practices to environmental, social and governance (ESG) principles, and this continues to be an ongoing focus.

¹³ See [here](#).

5. Management of Proceeds

The net proceeds of the green finance instruments issued under this Framework will be managed by SpareBank 1 in a portfolio approach.

SpareBank 1 intends to allocate the proceeds from the green finance instruments to an Eligible Green Loan Portfolio, selected in accordance with the Eligibility Criteria set out in Use of Proceeds and Process for Project Evaluation and Selection above.

SpareBank 1 will strive, over time, to achieve a level of allocation for the Eligible Green Loan Portfolio which matches or exceeds the balance of net proceeds from its outstanding green finance instruments. Additional Eligible Green Loans will be added to the Eligible Green Loans Portfolio to the extent required to ensure that an amount equal to the net proceeds from outstanding green finance instruments will be allocated to Eligible Green Loans.

During the life of the green finance instruments, if a loan ceases to fulfil the eligibility criteria, SpareBank 1 will remove the loan from the Eligible Green Loan Portfolio and replace it when necessary for the balance as soon as reasonably practicable.

Pending the full allocation to the Eligible Loans Portfolio, SpareBank 1 will hold and/or invest the balance of net proceeds not yet allocated in its treasury liquidity portfolio (in cash or cash equivalents, money market funds, etc.).

6. Reporting

The Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds. In addition to information relating to the assets to which an amount equal to the net proceeds from the issue of Green Bonds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the Eligible Green Loans.

SpareBank 1 will make and keep readily available reporting on the allocation of an amount equal to the net proceeds to the Eligible Green Loan Portfolio and wherever feasible reporting on the impact of the Eligible Green Loan Portfolio, at least at the category level, to be renewed annually until full allocation. SpareBank 1 intends to provide aggregated reporting for all green finance instruments outstanding.

SpareBank 1 will align, on a best effort basis, the impact reporting with the portfolio approach described in “Handbook – Harmonized Framework for Impact Reporting (December 2020).”¹⁴

Allocation Reporting

The allocation report may provide indicators such as:

- The total amount of SpareBank 1 green finance instruments outstanding
- The amount of net proceeds allocated to Eligible Green Loans
- The balance of unallocated proceeds
- The amount or the percentage of new financing and refinancing
- The percentage of the portfolio that is aligned with the EU Taxonomy

Impact Reporting

Where feasible, SpareBank 1 intends to report on the environmental impacts of the loans funded with proceeds from green finance instruments. Where relevant, information may be provided on data reporting and impact assessment methodologies to increase transparency. The Impact report may provide:

- A description of relevant Eligible Green Loans
- The breakdown of the Eligible Green Loan Portfolio by nature of what is being financed (financial assets)
- Metrics regarding Eligible Green Loans’ environmental impacts as described below:

GBP/GLP Category	Potential impact indicators
Green Residential Buildings	<ul style="list-style-type: none"> - Estimated annual energy consumption in kWh/m² or savings in MWh - Estimated annual reduced and/or avoided GHG emissions in tonnes of CO₂ equivalent

¹⁴ See [here](#).

7. External review

Second party Opinion

Sustainalytics reviewed the alignment of SpareBank 1's Green Finance Framework with ICMA's 2018 Green Bond Principles. Sustainalytics provided a Second Party Opinion (SPO). The Climate Bond Initiative (CBI) verifies each green covered bond under the green programme, in that it complies with the top 15 per cent approach.

Annual Audit/Limited Assurance on the Allocation Reporting

SpareBank 1 may request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the bond proceeds to eligible assets, provided by its external auditor.

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