

# Green, Social and Sustainable Product Framework December, 2023



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## 1 About Sparebanken Sør

Kristiansand Sparebank was established in 1824, followed one year later by Arendal Sparebank. This marked the start of Sparebanken Sør, which is now a highly respected and versatile financial group that has contributed to growth and development in southern Norway for generations.

Sparebanken Sør is an independent regional Norwegian savings bank headquartered in Kristiansand, with branches in Agder, Vestfold, Telemark and Rogaland, and assets under management of around NOK 158 billion.

Our business model is an integrated value chain that encompasses the development, production and supply of financial products and services. Our largest business areas are savings and loan products for the retail and corporate markets. The distribution of products such as insurance, leasing, car loans, consumer loans, securities and estate agency services through owner companies and partners is a key element of our business model. Sparebanken Sør serves customers through a combination of sales offices and digital solutions. Digitalisation and an analytical approach characterise activities throughout the value chain.

## 2 Sparebanken Sør's strategy for sustainability

Sparebanken Sør's mission is to "create sustainable growth and development for our region".

Our work on sustainability (ESG – Environmental, Social and Governance), which encompasses the climate and nature, social conditions and corporate governance, is a natural continuation of the role the Bank has played for almost 200 years. For Sparebanken Sør, sustainable development means that the Bank should contribute to positive development within ESG, as well as safeguard the Bank's social responsibility in areas where the Bank operates. Our work on sustainability should strengthen our competitiveness and reduce the Bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the Bank should contribute to sustainable growth and development by strengthening the positive effects and reducing the negative impacts on people, society, climate and nature.

Achieving the UN's Sustainable Development Goals and targets for greenhouse gas emissions in accordance with the Paris Agreement by 2030 will require a significant transition and redirection of capital towards sustainable development. This transition will have to be financed, and the Banking sector will play a vital role. Sparebanken Sør will contribute to this transition, and will consider both the risks and opportunities presented by sustainable development. Here the risks relate to the potential negative impacts on the Bank's risk profile and ESG challenges facing society, while the opportunities relate to leveraging the commercial openings offered by such a transition, and helping our customers and partners to develop more sustainably and thereby positively impact people, society and the climate and nature.

Our sustainability strategy establishes guidelines for the Bank's commercial activities and is intended to ensure that the Bank's overarching goals for sustainable development are met.

This entails

- ensuring that the Bank has an ESG strategy that takes account of both risks and opportunities
- supporting socially beneficial causes and upholding important social values in our region
- mapping and helping reduce the negative and increase the positive impacts of our commercial activities in the ESG area
- operationalising ESG in relevant business areas
- promoting activities and operations that facilitate sustainable growth and development
- supporting and participating in local, national and international initiatives and cooperation to contribute to sustainable development
- making a positive contribution to sustainable development in our region

- complying with recognised international principles and conventions for the climate and nature, social conditions and corporate governance
- complying with recognised international classification criteria for what can be defined as sustainable
- engaging in transparent communication and open dialogue with stakeholders and society as a whole

As the region's largest and leading finance group, the Bank has adopted a global perspective that will be guiding for the realisation of the Bank's vision of contributing to sustainable growth and development in our region.

Sparebanken Sør has signed up to a number of national and international initiatives within sustainability including the UN Global Compact and the UNEP Principles for Responsible Banking.

### 3 Purpose of the framework

Sparebanken Sør's Green, Social and Sustainable Product Framework (the "Framework") outlines the methodology and frameworks for Sparebanken Sør's sustainable products and defines a set of qualifying topics and activities. The Framework will be used to develop green, social and sustainable products including detailed descriptions of how the funds can be used. This means that products that will be labelled as green, social or sustainable must refer to this Framework. The Framework is intended to provide consistent guidelines in order to establish what can be defined as sustainable products.

The purpose of the Framework is to offer sustainable financing/refinancing to our customers. For refinancing activities, the maximum look-back period will be 3 years.

The Bank's Framework is based on Green Loan Principles ([GLP](#)) and associated [guidelines](#). GLP are general guidelines prepared by global financial actors. GLP are based on and refer to Green Bond Principles ([GBP](#)) issued by the ICMA that are intended to promote consistency in global financial markets. In 2019, Sparebanken Sør established a framework for the issuance of green and social bonds in accordance with the ICMA's GBP and SBP 2018. The Green & Sustainability Bond Framework was updated in 2022, to align with the EU taxonomy.

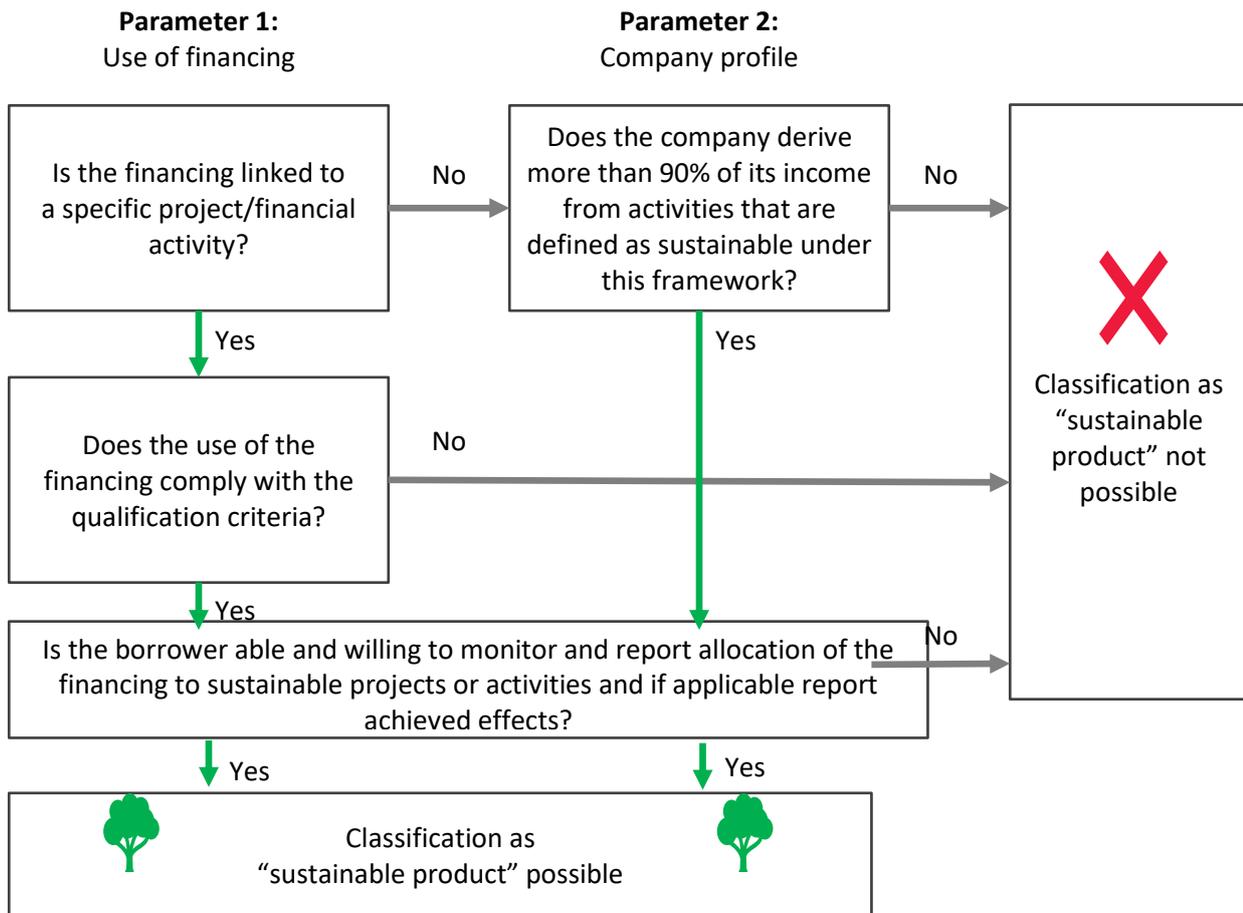
Based on the guidelines above, Sparebanken Sør will strive to achieve a lending process that prioritises evaluation of the following:

1. The project or the investment<sup>1</sup> that is to be financed
2. The social and/or environmental impacts the business/loan customer achieves
3. How the financing will be followed up by the business
4. Documentation and reporting environmental/social impacts

The classification and assessment process can be summarised as follows:

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<sup>1</sup> Investments in companies are eligible only when more than 90% of the financed company's revenue comes from "Qualifying activities".



How the financing is used is decisive in assessing whether a product is sustainable. When a specific project or activity is financed, qualification criteria are used to decide whether the underlying economic activity can be regarded as sustainable.

If the financing is not earmarked for a specific project or activity, the financing may be classified as sustainable depending on the company's profile. The financing will be regarded as sustainable if more than 90 per cent of the company's income derives from qualifying activities.

The qualifications are explained in more detail in section 5 below. These criteria will be further developed and adapted in line with market developments around sustainability and further development of the EU taxonomy.

Sparebanken Sør will ensure that borrowers are able and willing to monitor and report allocation of the financing to sustainable projects or activities and report any impacts where this is possible and appropriate.

## 4 Qualifying green and sustainable activities

The table below shows Sparebanken Sør's qualifying activities. These criteria are essentially based on prevailing market practice and EU taxonomy principles, to the extent these have been defined. The qualification criteria will be updated and further developed in line with changes in the EU taxonomy and best practice in the market.

Topic	Subtopic	Qualifying activities	Exclusions	SDG
Agriculture	<ul style="list-style-type: none"> <li>Plant production</li> <li>Horticulture (incl. gardening)</li> <li>Food production</li> </ul>	<p>Activities that contribute to the sustainable management of living natural resources and land, in particular:</p> <ul style="list-style-type: none"> <li>Agricultural products certified under a credible scheme (Debio, EU Organic)</li> <li>Financing to implement sustainable agricultural techniques and practices: <ul style="list-style-type: none"> <li>minimal or no use of synthetic or inorganic fertilizers and pesticide</li> <li>soil recovery and restoration of degraded pastures</li> </ul> </li> <li>Financing to install protected agriculture facilities and horticultural greenhouses<sup>2</sup> with a goal to enhance energy and water efficiency</li> </ul> <p>All activities must meet the quality management standard and ESG due diligence must be performed.</p>	<ul style="list-style-type: none"> <li>Significantly reduce biodiversity</li> <li>Industrial/ large-scale farming and meat production</li> </ul>	  
Forestry	<ul style="list-style-type: none"> <li>Forestry management</li> </ul>	<p>Activities, projects or products that</p> <ul style="list-style-type: none"> <li>are certified with FSC or PEFC to promote sustainable forest management</li> <li>contribute to the planting of forests in new areas or stabilise or improve ecosystems using tree species that are well adapted to the site conditions and an FSC or PEFC-certified sustainable management plan</li> <li>are based on low-carbon technologies and generate significant energy efficiency improvements in production or distribution processes in forestry</li> </ul>	<ul style="list-style-type: none"> <li>Projects which significantly increase deforestation or reduce biodiversity</li> <li>fossil-based technologies/products/equipment.</li> </ul>	  
Green homes	<ul style="list-style-type: none"> <li>Newbuilds</li> <li>Existing buildings</li> <li>Refurbishment that results in energy efficiency improvements</li> </ul>	<p>New or existing buildings constructed in 2021 or later.</p> <ul style="list-style-type: none"> <li>EPC A-rating</li> </ul> <p>Existing buildings constructed between 2012 and 2020, that meet TEK10 or TEK17.</p>		 

<sup>2</sup> Financed covered operations to ensure that the crops are grown with their natural cycle. In case a percentage of crops is grown outside of their natural cycle, the operations will use electricity (that is preferably sourced from renewable energy sources) for heating.

	<ul style="list-style-type: none"> <li>Green mortgage loans</li> </ul>	<p>Existing buildings constructed before 2021 that meet one of the following criteria:</p> <ul style="list-style-type: none"> <li>EPC A-rating</li> <li>EPC B-rating</li> </ul> <p>Refurbishment of residential buildings that improves energy efficiency by at least 30 per cent compared to buildings' baseline. (Only loan specific to the refurbishment.)</p>		
Green commercial buildings	<ul style="list-style-type: none"> <li>Newbuilds</li> <li>Existing buildings</li> <li>Refurbishment that results in energy efficiency improvements</li> </ul>	<p>New or existing commercial buildings constructed from 2021 that meet one of the following criteria:</p> <ul style="list-style-type: none"> <li>EPC A-rating</li> <li>BREEAM or BREAAAM-NOR "Excellent" or "Outstanding"</li> <li>The Nordic Swan Ecolabel (4<sup>th</sup> generation)</li> </ul> <p>Existing commercial buildings constructed before 2021 that meet one of the following criteria:</p> <ul style="list-style-type: none"> <li>EPC A-rating</li> <li>EPC B-rating</li> <li>BREEAM or BREAAAM-NOR "Excellent", "Outstanding" or «Very good»</li> <li>The Nordic Swan Ecolabel</li> </ul> <p>Existing offices, shops or heated industry buildings constructed between 2012 and 2020, that meet TEK10 or TEK17.</p> <p>Existing hotels or restaurants constructed between 2013 and 2020, that meet TEK10 or TEK17.</p> <p>Refurbishment that improves the building's energy efficiency by at least 30 per cent compared to buildings' baseline. (Only loan specific to the refurbishment.)</p>	Buildings associated with fossil fuel consumption as described in the EU taxonomy	  
Energy efficiency improvements	<ul style="list-style-type: none"> <li>Energy efficiency improvements in industrial processes</li> </ul>	<p>Finance activities that generate significant energy efficiency improvements in industrial processes or their supply chains or distribution processes.</p>	<p>Activities relating to improvements in energy efficiency in fossil fuel storage, production and distribution.</p> <p>Production processes within heavy industries such as steel, cement, or aluminium</p>	  

Water, waste and sanitation			Improvements powered by fossil fuels.	
	<ul style="list-style-type: none"> <li>Water supply</li> <li>Wastewater treatment</li> <li>Waste management</li> </ul>	<p>Activities that contribute to:</p> <ul style="list-style-type: none"> <li>improved water quality, access to clean water, reduced water consumption and improved infrastructure and distribution of water</li> <li>improved infrastructure, collection, flood prevention, distribution and cleaning of wastewater and surface water, and sludge and polluting discharges that generate significant environmental improvements</li> </ul> <p>Activities, equipment, technologies, processes and systems that provide for:</p> <ul style="list-style-type: none"> <li>collection, sorting, recycling and reuse of, and reduction of waste</li> <li>reduction in emissions of greenhouse gases in waste management and waste-to-energy conversion with majority of recyclables segregated before energy conversion</li> </ul>	Treatment of wastewater from fossil fuel operations	 
	<ul style="list-style-type: none"> <li>Technology</li> <li>Equipment</li> <li>Services</li> </ul>	<p>Financing activities relating to renewable energy generation:</p> <ul style="list-style-type: none"> <li>Wind</li> <li>Solar PV</li> <li>Geothermal projects, with direct emissions below 100 grams of CO<sub>2</sub>/kWh</li> <li>Biomass or biogas projects, using waste feedstocks, in particular, forestry or agricultural residues.</li> <li>Wave power</li> <li>New hydropower projects which are (i) smaller than 25 MW or are run-of-river; or (ii) larger than 25 MW provided their lifecycle emission intensity is below 100 grams of CO<sub>2</sub>/kWh or have a power density greater than 5W/m<sup>2</sup>. All new potentially eligible hydropower projects require an environmental and social impact assessment.</li> </ul>		 
<ul style="list-style-type: none"> <li>Health</li> <li>Schools and education</li> <li>Social and financial inclusion</li> </ul>	<p>Buildings and activities aimed at providing state-funded health and social care services (which ensure accessibility for all people).</p> <p>Buildings and activities that widen or secure access to state-funded education or other qualification measures.</p> <p>Activities that contribute to:</p> <ul style="list-style-type: none"> <li>Investments in non-profit organisations to construct and/or expand cultural, and sports facilities.<sup>3</sup> The target population is mostly youth and vulnerable communities.</li> </ul>		   	

<sup>3</sup> Constructed facilities to guarantee access to for disadvantaged young people.

<p>Blue economy <i>grønt</i></p>	<ul style="list-style-type: none"> <li>Fishing and aquaculture</li> <li>Reduction in direct environmental impact in oceans, rivers, streams, lakes</li> </ul>	<p>Aquaculture facilities certified as sustainable by the Aquaculture Stewardship Council (Chain of Custody certification).</p> <p>Seafood products and fishing activities that have been certified as sustainable by the Marine Stewardship Council (MSC).</p> <p>Investments and upgrading of fully electric, biofuel- or hydrogen-powered fishing vessels where the vessel is extensively used for fishing for MSC-certified species.</p> <p>Activities, technology and equipment that:</p> <ul style="list-style-type: none"> <li>contribute to reduced contamination and pollution of marine areas (oceans, lakes, rivers and streams)</li> </ul>	<ul style="list-style-type: none"> <li>Financing of fossil-fuel based equipment.</li> <li>Activities that reduce biodiversity in oceans.</li> </ul>	   
<p>Clean transport</p>	<ul style="list-style-type: none"> <li>Vehicles – private</li> <li>Vehicles – commercial</li> <li>Vehicles – public transport</li> </ul>	<p>Activities that contribute to the purchase, sale, distribution, maintenance and repair of:</p> <ul style="list-style-type: none"> <li>zero-emission vehicles for private individuals <ul style="list-style-type: none"> <li>Fully electric vehicles</li> <li>Hydrogen vehicles</li> <li>Zero emission in any other way</li> </ul> </li> <li>zero-emission vehicles for commercial use or public transport: <ul style="list-style-type: none"> <li>Fully electric buses or commercial vehicles</li> <li>Hydrogen buses or commercial vehicles</li> <li>Buses or commercial vehicles that are zero-emission in any other way</li> <li>Other zero-emission vehicles that are used for public transport</li> <li>Zero-emission yellow/construction equipment</li> <li>Retrofitting or engine replacements leading to full electrification of vehicles.</li> </ul> </li> </ul>		  
<p>Circular economy</p>	<ul style="list-style-type: none"> <li>Circular products</li> <li>Circular processes</li> </ul>	<p>Activities linked to the development, production, repair, purchase and sale of products that are intended for reuse or recycling:</p> <ul style="list-style-type: none"> <li>The collection, sorting, cleaning, refurbishment, reconditioning and/or repair of products for re-use<sup>4</sup></li> <li>Production of resource-efficient/low-carbon products that are RSB-certified (in case of bio-based materials)</li> </ul>	<p>Refurbishment, reconditioning and/or repair of products specialized for use in the extraction of fossil fuels or that inherently rely on fossil fuels.</p>	

<sup>4</sup> The activity should result in products being put back to their original use without any pre-processing required.

## 5 Updating and reporting

The Bank's Product Manager is responsible for ongoing updating of the framework, including ensuring that the framework complies with guidelines and market practice.

The purpose of the framework is to establish a consistent methodology for classifying and reporting sustainable products and activities. The framework is dynamic and will be regularly adjusted or supplemented with qualifying activities and classification criteria in order to comply with prevailing guidelines, market practice and EU taxonomy.