



**GREEN BOND
FRAMEWORK 2024**

**SPAREBANKEN
SØR** 

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INTRODUCTION TO SPAREBANKEN SØR

1. About Sparebanken Sør

Established in 1824, Christianssands Sparebank, followed by Arendal Sparebank, laid the foundation for Sparebanken Sør, a respected financial group in southern Norway. Headquartered in Kristiansand, the bank operates across Agder, Vestfold, Telemark, and Rogaland, managing assets of approximately NOK 168 billion. Sparebanken Sør's business model integrates the development, production, and distribution of financial products, focusing on savings and loans for both retail and corporate markets. Its product portfolio includes insurance, leasing, securities, and real estate services offered through partners. The bank serves customers via branch offices and digital solutions, with a strong emphasis on digitalization and data analytics. Sparebanken Sør Boligkreditt, a wholly owned subsidiary, is a covered bond company that provides stable, long-term funding and ensures competitive terms in the retail market. Sparebanken Sør has decided to merge with Sparebanken Vest, and they will together form Sparebanken Norge.

This framework, including future updates, applies to both Sparebanken Sør and Sparebanken Sør Boligkreditt for issuing bond products. Throughout this document, both entities will be referred to collectively as "Sparebanken Sør."

2. Sustainability at Sparebanken Sør

Sparebanken Sør's mission is to "create sustainable growth and development in its region". The bank's focus on ESG—covering environmental, social, and governance aspects—is a continuation of its 200-year role. For the bank, sustainable development means driving positive ESG outcomes while upholding social responsibility. As an employer, investor, and financial services provider, the bank aims to enhance its competitiveness, reduce ESG risks, and contribute to sustainable growth by maximizing positive impacts on people, society, climate, and nature.

Achieving the UN's Sustainable Development Goals and Paris Agreement targets requires a major transition and redirection of capital. Sparebanken Sør will support this shift, and consider the risks and opportunities presented by the sustainable development. The bank will manage ESG risks while capitalizing on opportunities to help customers and partners transition to more sustainable practices, benefiting people, society, and the environment.

Sustainability Strategy

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. Sparebanken Sør has established various documents, policies and initiatives that aim to further develop our strategy into concrete actions, thereby continuing the integration of ESG into our activities.



The strategic goals and concrete actions include, but are not limited to:

ESG goals	Concrete actions
Reduce negative impacts and risks from operations and capitalise on opportunities	<p>To establish a well-informed foundation for the work with this strategic goal the bank has conducted a materiality assessment and stakeholder analysis, latest updated in 2024.</p> <p>Sparebanken Sør recognizes that its primary environmental impact stems from its lending activities. An ESG module has been integrated into the credit process to assess potential climate risk exposure, and evaluates clients and assets in terms of physical and transition risks, biodiversity, ecosystems, social conditions, and governance.</p> <p>We are working to reduce greenhouse gas (GHG) emissions from our own activities and from our customers, suppliers and partners in accordance with the Paris Agreement. The bank aims to be net-zero across the value chain by 2050. Our long-term goal is supported by short-term commitments:</p> <ul style="list-style-type: none"> • Reduce Scope 1 and 2 emissions with 55% from 2017 to 2030 • Reduce Scope 1 and 2 emissions from lending with 40% from 2023 to 2030 • Reduce Scope 1 and 2 emissions from investments with 40% by 2030 (baseline currently being established) <p>Sparebanken Sør reports in line with the Taskforce on Climate related Financial Disclosures (TCFD) and the Taskforce on Nature related Financial Disclosures (TNFD), to identify climate- and nature-related risks and opportunities¹.</p>
Operationalising ESG in relevant business areas	<p>In 2023, the bank updated its Green, Social and Sustainable Product Framework, which outlines the sectors and activities which are included in this initiative and defines the eligibility criteria. In addition, the Bank has published a range of policies and documents, including a Group Corporate Social Responsibility policy that guide its work with ESG.</p>
Promote sustainability throughout the value chain	<p>To promote sustainable procurement, Sparebanken Sør has drafted a code of conduct for suppliers. The procurement process includes a rating and active follow-up of suppliers from an ESG perspective. Furthermore, the bank has set a target that all suppliers should be Eco-Lighthouse certified (or equivalent).</p>
Respect of human rights and promoting diversity	<p>Although Sparebanken Sør has its operations in Norway we must be careful to not finance businesses that undermine human rights. Through the selection of products and suppliers the bank wants to promote our support and respect for recognized human rights principles. The bank has zero tolerance for all forms of discrimination. We have initiated an annual risk assessment of our impact on human rights throughout the entire value chain, in accordance with the OECD guidelines for multinational companies.</p> <p>The assessment confirms that the bank has a low risk of labour and human rights violations. For the areas proportion of female managers and diversity, the bank has medium risk.</p> <p>The bank has been focusing on issues related to equality and diversity, and has been certified by the KUN Center for Equality and Diversity, a Norwegian non-governmental organisation. We will strive to promote greater gender equality and prevent discrimination in the workplace. Our goal is to have between 40-60% female manager in total by 2025.</p>
Participating in local, national and international initiatives, and partnerships to contribute to sustainable development	<p>Sparebanken Sør joined the UN Global Compact in 2018 and became a partner in the PCAF in 2021. Sparebanken Sør is a signatory to UNEP Finance Initiative - Principles for Responsible Banking.</p> <p>Sparebanken Sør supports social causes benefitting the population as a whole, through financing of schools and health-care projects. Furthermore, the bank has been a trusted financial partner for the KNIF collective procurement organisation for more than 25 years, offering attractive terms to non-for profit organisations.</p>

¹ Link to TCFD report [here](#) and TNFD report [here](#).

GREEN BOND FRAMEWORK

By issuing Green Bonds, Sparebanken Sør aims to support the growth of the green bond market and showcase its sustainability strategy to capital market participants. These bonds will also diversify Sparebanken Sør's investor base and enhance engagement with existing investors.

This Green Bond Framework follows the Green Bond Principles issued by the International Capital Markets Association (2021), with an update in June 2022². It allows both Sparebanken Sør and its subsidiary, Sparebanken Sør Boligkreditt, to issue various bond formats, including Senior Preferred, Senior Non-Preferred, and Covered Bonds, all categorized as Green Bonds within this framework.

Loans that meet the EU taxonomy alignment

Sparebanken Sør welcomes the increased clarity and structure which the EU taxonomy and related regulations bring to the sustainable finance market. Appreciating the comprehensive scope of current and upcoming EU regulation within the space of sustainable finance, the bank has decided to be an early adopter and to align the Use of Proceeds in this framework with the EU taxonomy. Sparebanken Sør is establishing procedures using NVE data to screen for any high physical risk in their loan portfolio. Loans with high physical risk, without adaptation measures taken, will be removed from the eligible green loans for bonds issued under this framework.

Sparebanken Sør will monitor the regulatory developments and will consider to update this framework accordingly.

1. USE OF PROCEEDS




The net proceeds of the Green Bonds issued by Sparebanken Sør will to a large extent be used to refinance eligible assets in the form of loans that have been evaluated and selected by Sparebanken Sør in accordance with this Green Bond Framework ("Eligible Loan Portfolio").

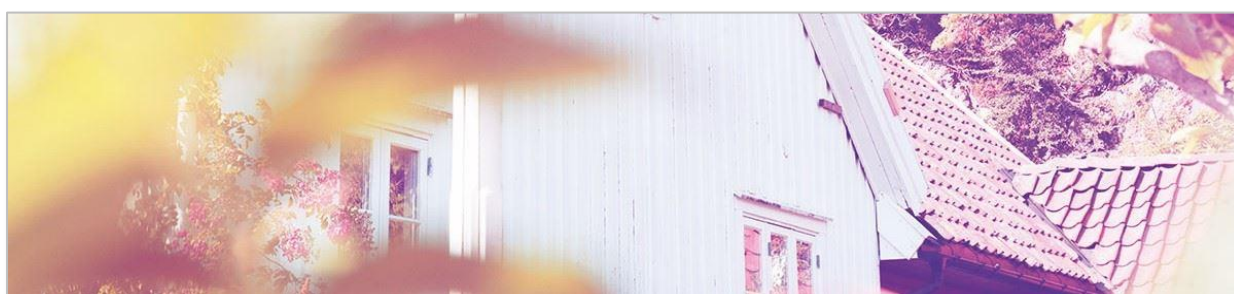
For the avoidance of doubt, any bonds issued under this framework will not be used to finance loans to customers linked to gambling, pornographic material, disputed weapons production and weapons and ammunition producers/suppliers without government approval, tobacco companies, production of narcotics (if not meant for medical purposes) or related to direct fossil fuel energy generation and nuclear energy generation.



² [Green Bond Principles June 2022](#)

Eligible Green Projects

ICMA GBP category	Eligible category description	UN SDGs	EU Taxonomy
<p>Green Buildings</p>	<p>Residential buildings:</p> <ul style="list-style-type: none"> Buildings with EPC A Buildings built ≥2021: Buildings compliant with the relevant NZEB-10% threshold³ Buildings built < 2021: Within the top 15% most energy efficient buildings in Norway⁴: <ul style="list-style-type: none"> Complying with TEK 10 & TEK 17 building codes (built ≥ 2012) Other energy efficient buildings reflecting the top 15% <p>Commercial buildings:</p> <ul style="list-style-type: none"> Buildings with EPC A Buildings built ≥2021: Buildings compliant with the relevant NZEB-10% threshold² Buildings built < 2021: Within the top 15% low carbon buildings in Norway <ul style="list-style-type: none"> Complying with TEK10 & TEK17 building codes (hotel and restaurant buildings built ≥ 2013 & office, retail and industrial buildings built ≥ 2012) Other energy efficient buildings reflecting the top 15% <p>Refurbished residential and commercial buildings in Norway with an improved energy efficiency of 30%⁵:</p> <ul style="list-style-type: none"> Refurbished Norwegian residential and commercial buildings with at least a 30% improvement in energy efficiency measured in kWh/m² Where EPC labels are available to select eligible assets under this criterion, only labels of 'D' or better will be considered 	  	<p>Substantial contribution to climate change mitigation (1.b): Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption.</p> <p>EU Taxonomy economic activities:</p> <ul style="list-style-type: none"> 7.2 Renovation of existing buildings 7.7 Acquisition and ownership of buildings



³In accordance with the EU Taxonomy Climate Delegated Act, buildings built from 1 January 2021 onwards should meet the 'NZEB -10%' criterion. Compliant buildings are assessed against the respective NZEB threshold published by the Norwegian Ministry, expressed as specific energy demand in kWh/m². At the time of writing all Norwegian buildings with EPC labels of A and some EPC B labels are in scope. To align with the technical screening criteria laid out in the EU Taxonomy, new buildings (after 31.12.2020) of 5000m² and larger will be required to document the life-cycle Global Warming Potential (GWP) of the building resulting from the construction.

⁴ The top 15 % PED applicable under this framework will be updated continuously. Sparebanken Sør will reference an external benchmark when determining the top 15 %. Such a benchmark could be e.g., guidance by national governments or a specialist study.

⁵ Qualifying buildings will be determined with the support of a specialised external consultant.

2. SELECTION AND EVALUATION OF ELIGIBLE PROJECTS

Sparebanken Sør has designed and implemented a process to ensure that only projects aligned with the criteria set out above will be selected as Eligible Assets and Projects for its Green Bond issuances. To oversee the selection process, a Green Bond Committee has been established.

The Green Bond Committee will manage any future updates to the Framework and monitor the Eligible Green Loan Portfolio, including any extension to the list of eligible categories and changes in market developments (such as the introduction of the EU Green Bond Standards), and oversee its implementation.

The Green Bond Committee has representatives from Group Sustainability, Group Treasury, Corporate Management, Sparebanken Sør Boligkreditt and relevant business units within Corporate and Private market. Decisions by the committee will be taken unanimously.

The Green Bond Committee follows the below process when selecting and evaluating projects for the Eligible Projects.

1. Sparebanken Sør chooses potential Green Assets from each financing that is originated by Sparebanken Sør according to Sparebanken Sør's financing criteria and proposed for selection by the business units.
2. Sparebanken Sør removes financing that does not qualify (or where the customer of such financing does not qualify) as Green Assets.
3. The remaining financing is evaluated by sustainability experts within Sparebanken Sør, after which the qualifying financing is deemed as potential Green Assets.
4. The Green Bond Committee reviews the potential Green Assets. The qualifying assets are included in the Green Bond Register and constitute the Green Bond Asset Portfolios. When extending credit, the bank must be aware of the impact of the financed projects on both environment and people. The bank shall be prudent in extending credit to customers that develop or sell products with a particularly negative impact on the environment or people.

As part of the transaction approval process, Sparebanken Sør strives to ensure that all its activities comply with internal environmental and social standards.

In accordance with Sparebanken Sør's overall credit strategy, the bank shall only extend credit for purposes that are consistent with good business practice. The bank shall not be associated with activities, customers or industries with whose reputation the bank does not wish to identify. The assessment of such risks takes place at an early stage and is part of the standard operating procedure for all loans.

All loans undergo a risk assessment, and have to be aligned with the bank's self-imposed restrictions for lending to certain industries. The ESG risk analysis takes place during the credit assessment process. In this context, an ESG module has been included into the credit process in order to gain a better understanding of the bank's potential exposure to ESG risk through its lending activities. The module assesses clients and assets with regards to physical- and transition risk (climate risk), biodiversity and ecosystems, as well as social conditions and governance.

3. MANAGEMENT OF PROCEEDS

Sparebanken Sør uses a portfolio approach to manage the proceeds of the Green Bonds, the Eligible Loan Portfolio. The Green Bond Committee will be responsible for the allocation process.

Sparebanken Sør aims to designate sufficient eligible loans in the Eligible Loan Portfolio to ensure that its outstanding balance of eligible loans always exceeds the total balance of all outstanding Green Bonds. For each new issuance, where necessary, additional eligible loans will be added to this Eligible Loan Portfolio to ensure sufficient and timely allocation of the incremental net proceeds. Sparebanken Sør aims to have achieved full allocation of proceeds within 24 months of the issuance of a Green Bond.

If during the life of the Green Bonds the bank becomes aware that a loan no longer meets the eligibility criteria, Sparebanken Sør will remove the loan from the Eligible Loan Portfolio and replace it, when necessary, to restore the balance as soon as reasonably practicable.

If there are any unallocated net proceeds from Green Bonds, Sparebanken Sør will invest the capital as a part of their green liquidity portfolio.

4. REPORTING

Sparebanken Sør will on a quarterly basis publish a report on the allocations, and on an annual basis on the impacts connected to Green Bonds issued under this framework. Where relevant, Sparebanken Sør will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. The reports will be made available on Sparebanken Sør's website.

Allocation Report

The allocation report will, to the extent feasible, include the following components:

- Total amounts allocated
- Amounts invested in green categories
- Detailed descriptions and case studies of selected Eligible Assets and Projects financed
- Shares of allocations to sub groups in the building categories (e.g. residential and commercial buildings, TEK groups, EPC labels)
- The balance of unallocated proceeds

Impact Report

Sparebanken Sør will strive to report on the actual impact of the investments financed by their Green Bonds. If/when actual impacts for some reason are not observable, or unreasonably difficult to source, estimated impact will be reported. The impact report will, to the extent feasible, also include a section on methodology, baselines and assumptions used in impact calculations.

The impact metrics selected may include the following:

- Estimated ex-ante annual energy consumption in KWh/m² or energy savings in MWh
- Estimated annual GHG emissions reduced/avoided in tonnes of CO₂ equivalents

5. EXTERNAL REVIEW

Second Party Opinion

Sparebanken Sør has engaged Moody's to act as an independent external reviewer of this Green Bond Framework and the Eligible Assets and Projects. The Second Party Opinion is publicly available on Sparebanken Sør's website.

Verification

Sparebanken Sør may, on an annual basis, starting one year after issuance and until maturity (or until full allocation), request a limited assurance report concerning the allocation of the bond proceeds to eligible assets from an external party.

Disclaimer

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