

# Sparebanken Sør Boligkreditt AS

## POST-ISSUANCE VERIFICATION LETTER

### LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** December 2020

**Approved verifier:** Sustainalytics

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### Scope and Objectives

In August 2019, Sparebanken Sør Boligkreditt AS (Sparebanken Sør) issued Certified Climate Bonds (green bonds) aimed at financing and/or refinancing, a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway (“Residential Green Buildings”). In 2020, Sparebanken Sør engaged Sustainalytics to review the loan portfolio funded through the issued green bonds and provide an assessment as to whether the loans met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green loan portfolio includes:

- 2,868 apartments built in 2012 or that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17)
- 5,488 other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17)
- 1,633 existing Norwegian residential buildings, built before 2009, with EPC-labels A, B and C.

Schedule 1 provides details of the green loan portfolio and Disbursement of Proceeds.

### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Loans & Assets - Part B requirements shall be met based on the loans & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

### Issuing Entity’s Responsibility

Sparebanken Sør is responsible for providing accurate information and documentation relating to the details of the loan portfolio that have been funded, including description of projects, total cost of each loan, and disbursed amounts.

### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Sparebanken Sør’s green bond, issued to finance a loan portfolio of energy efficient residential green buildings, and provided an independent opinion informing Sparebanken Sør as to the conformance of the green bond with the Post-Issuance requirements and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Sparebanken Sør with respect to the Loan Portfolio. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or

conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Sparebanken Sør.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

### **Verifier’s Responsibility**

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant Sparebanken Sør employees and review of relevant documentation to confirm the conformance of Sparebanken Sør’s green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

### **Exceptions**

No exceptions were identified. All loans aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Low Carbon Buildings criteria.

### **Conclusion**

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the allocation of NOK 15.20 billion (EUR 1.43 billion) from the Sparebanken Sør green bonds, issued to fund eligible green loans, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

### **Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
Compliance to Part A: General Requirements	Verification of 9,989 loans funded by the green bond in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All 12,285 loans reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Loans & Assets	Verification of 12,285 loans funded by the green bond in 2019 to determine if loans fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Buildings technical criteria.	All 12,285 loans fall under the Low Carbon Buildings criteria and meet the Low Carbon Buildings technical requirements.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

## Schedule 1: Detailed Overview of Loan Portfolio and Assets

As part of its CBI Pre-Issuance engagement process with Sustainalytics, Sparebanken Sør Boligkreditt AS provided a third-party report produced by Norwegian consultancy Multiconsult ASA, which developed a methodology to identify the most energy efficient residential buildings in Norway according to the above requirements. Having reviewed the report, Sustainalytics viewed Multiconsult's third party expertise in the development of the eligibility criteria and project selection process positively.

In 2019, buildings following the relevant criteria constituted the top 12% in terms of energy performance in the Norwegian residential market. As such, Sparebanken Sør Boligkreditt AS's criteria is considered to be within the top 15% required by the Climate Bond Standard, as well as compliant with CBI's proxy methodology regarding Location Specific Criteria for Residential Buildings in Norway.

Details of the Loan Portfolio & Green Assets are provided below:<sup>1</sup>

<b>Eligibility Criteria</b>	<b>Loan Amount (NOK)</b>	<b>Loan Amount (EUR)<sup>2</sup></b>	<b># of loans</b>
Apartments built in 2012 or that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17)	3.76 billion	356.85 million	2,868
Other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17)	9.16 billion	858.17 million	5,488
Existing Norwegian residential buildings, built before 2009, with EPC-labels A, B and C	2.27 billion	212.52 million	1,633
<b>Total</b>	<b>15.20 billion</b>	<b>1.43 billion</b>	<b>9,989</b>

<sup>1</sup>The Loan Portfolio described in the table relates to all eligible green residential mortgage assets located under Sparebanken Sør. Part of these residential mortgage assets are eligible to be allocated towards the Sparebanken Sør Boligkreditt AS cover pool. Given that the Issuer has chosen to only highlight eligible loans for the Sparebanken Sør Boligkreditt AS cover pool in the latest allocation reports, the numbers described in this document may differ from the numbers described in the latest allocation reports, which are available at; <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/green-and-sustainability-bond-framework/allocation-reports>

<sup>2</sup> Exchange rate on December, 09, 2020.

## Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Loan Portfolio & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Loan Portfolio meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Loan Portfolio and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Loan Portfolio</p> <p>5.2 Funds allocated to Loan Portfolio within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Loan Portfolio &amp; Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Loan Portfolio &amp; Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Loan Portfolio &amp; Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Loan Portfolio &amp; Assets to which proceeds of the bond have been allocated</p>

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Loan Portfolio & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance a loan portfolio of energy efficient residential green buildings (Loan Portfolio).</p> <p>4.2 Sparebanken Sør's management confirms that the loan portfolio meet the Eligibility Criteria.</p> <p>4.3 Sparebanken Sør's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the 12,285 Loans.</p> <p>5.2 Sparebanken Sør's management has confirmed that funds have been allocated to Loan Portfolio at the date of the issuance.</p> <p>5.3 Sparebanken Sør's management has confirmed that all Net Proceeds of the bond were used for refinancing only.</p> <p>5.4 Sparebanken Sør's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a portfolio approach.</p> <p>5.5 Sparebanken Sør's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Loan Portfolio or the Total Development Cost of the Loan Portfolio.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 Sparebanken Sør's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Loan Portfolio.</p> <p>6.2 Sparebanken Sør's management confirms that pending the investment of proceeds, the Net Proceeds held or invested in money market instruments within the Bank's liquidity portfolio.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 Sparebanken Sør's management confirms that all relevant information about the Loan Portfolio has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 Sparebanken Sør's management confirms that all relevant information about the bond and the Loan Portfolio has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 Sparebanken Sør's management has provided a report containing the list of Loan Portfolio to which proceeds of the bond have been allocated (See Schedule 1).</p>	None

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