

Second-Party Opinion

Sparebanken Sør Green & Sustainability Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Sparebanken Sør Green & Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and the Social Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – green buildings and access to essential services – are aligned with those recognized by the Green or Social Bond Principles. Sustainalytics considers that mortgages for energy-efficient properties and lending to green buildings projects and essential service providers will lead to positive environmental and/or social impacts and advance the UN Sustainable Development Goals, in particular Goals 3, 4, and 11.



PROJECT EVALUATION / SELECTION Sparebanken Sør has established a dedicated Sustainability Bond Committee for project evaluation and selection which includes representatives from senior management such as the CEO, Co-Director and Head of Corporate Market, Director of Retail Market, CEO of Sparebanken Sør Boligkreditt, Chief of Staff, Head of Treasury and Finance Manager. A register of eligible loans will be created to which the funds will be allocated. Sustainalytics considers this to be in line with market best practice.



MANAGEMENT OF PROCEEDS Sparebanken Sør will use a portfolio approach to manage the proceeds of its green and/or sustainability bonds, and any unallocated proceeds will be held or invested in money market instruments, in line with market practice.



REPORTING The Bank will provide annual impact and allocation reporting until the bond(s) are fully allocated, including relevant quantitative metrics such as greenhouse gas emissions avoided, number of hospitals funded, and number of people served by educational lending. Additionally, for its social lending, the information on the geographical breakdown of projects, such as by country or region, will be provided. Sustainalytics views these allocation and impact reporting as aligned with market practice.

Evaluation date	August 22, 2019
Issuer Location	Kristiansand, Norway

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Introduction

Sparebanken Sør (‘the Issuer’ or ‘the Bank’) is a Norwegian savings bank, providing banking and brokerage activities in the Norwegian counties of Aust-Agder, Vest-Agder, Telemark, and Rogaland. Sparebanken Sør is the country’s fifth-largest bank and one of the oldest banks in Norway, with history dating back to 1824. Sparebanken Sør Boligkreditt, a wholly-owned subsidiary of the Bank, is a mortgage company licensed to issue covered bonds.

Sparebanken Sør has developed the Sparebanken Sør Green & Sustainability Bond Framework (the ‘Framework’) under which the Bank and its subsidiary, Sparebanken Sør Boligkreditt, is planning to issue green covered bonds and sustainability senior bonds.

The proceeds of the green covered bond(s), issued by Sparebanken Sør Boligkreditt, will be used to finance or refinance, in whole or in part, mortgages on new or existing green residential buildings. The Framework defines eligibility criteria for residential green buildings as any of the following:

1. Apartments that comply with Norwegian building codes TEK10 or TEK17 or other residential dwellings that comply with building codes TEK07, TEK10, or TEK17.
2. Residential buildings built before 2009 which Energy Performance Certificate (EPC) labels A, B, or C.
3. Refurbished residential buildings that have achieved a 30% improvement in energy efficiency or a two-level improvement in EPC label, where a label of ‘D’ or better is only considered

The proceeds of the sustainability bond(s), issued by Sparebanken Sør, will be used to finance or refinance, in whole or in part, the Bank’s portfolio of eligible loans. The Framework defines eligibility criteria in two areas:

1. Commercial Green Buildings
2. Access to Essential Services
 - a. Healthcare and social care
 - b. Education and vocational training

Sparebanken Sør engaged Sustainalytics to review the Sparebanken Sør Green & Sustainability Bond Framework, published August 2019, and provide a second-party opinion on the alignment of the framework with the Green Bond Principles 2018 (the ‘GBP’)¹, the Social Bond Principles 2018 (the ‘SBP’)² and the Sustainability Bond Guidelines 2018 (the ‘SBG’),³ as administered by the International Capital Market Association (the ‘ICMA’),⁴ and the Framework’s environmental and social credentials. This Framework has been published in a separate document.⁵

As part of this engagement, Sustainalytics held conversations with various members of Sparebanken Sør’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Bank’s green covered bonds and sustainability bonds. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Sparebanken Sør Green & Sustainability Bond Framework and should be read in conjunction with that Framework.

¹ ICMA’s Green Bond Principles 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ Sustainability Bonds are aligned with the four core components of both the Green Bond Principles and Social Bond Principles, with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

⁴ ICMA’s Sustainability Bond Guidelines 2018 <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁵ <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/Green-and-sustainability-bond-framework/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Sparebanken Sør Green & Sustainability Bond Framework

Summary

Sustainalytics is of the opinion that the Sparebanken Sør Green & Sustainability Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 and Social Bond Principles 2018. Sustainalytics highlights the following elements of the Bank's Green and Sustainability Bond Framework:

- Use of Proceeds:
 - The green use of proceeds category of green buildings is recognized as impactful by the Green Bond Principles, and the social use of proceeds category of access to essential services is recognized as impactful by the Social Bond Principles.
 - Sparebanken Sør has defined eligibility criteria for green residential buildings by referencing Norwegian building codes (TEK10, and TEK 17, as well as TEK07 for non-apartment residential dwellings) and Energy Performance Certificates (EPC levels A, B, and C). Additionally, refurbished residential buildings which have achieved a 30% improvement in energy performance are eligible.⁶ Sparebanken Sør has commissioned a report from the consultancy - Multiconsult in developing these criteria, which Sustainalytics views as best practice.
 - The Framework specifies three criteria by which commercial green buildings are eligible:
 - the top 15% low carbon buildings as determined by a methodology developed by an expert consultant;
 - buildings that have been awarded at least LEED Gold, BREEAM/BREEAM-Nor Excellent, or Nordic Swan Ecolabel;
 - refurbished buildings with a 30% improvement in energy efficiency or a two-level improvement in EPC/certification rating.⁷

Overall, Sustainalytics considers these criteria to be in line with market practice. See Appendix 1 for a comparison of green building schemes.
 - Sparebanken Sør's eligible access to essential services loans will be directed towards public, free, or subsidized healthcare/social care and free or subsidized education. These projects include the construction of hospitals and clinics, the acquisition of equipment, and various other programme costs. Sparebanken Sør's eligible education loans include any that expand access to public or non-profit primary, secondary, adult, and vocational education. By making these services available to all citizens, without financial or access barriers, support is being provided to vulnerable groups. Sustainalytics considers the provision of public or non-profit essential services to be socially beneficial.
 - Social lending to support access to public or subsidized healthcare or education may be provided both within Norway, and in selected regions internationally; the Framework notes that these projects may be located in South America, Africa, and Asia. Lending to these regions will be carried out through the Norwegian non-profit KNIF.⁸ Sustainalytics has assessed the mandate of this organization, and is of the opinion that it has as an objective the delivery of net positive social outcomes. (Refer to Section 3 for further discussion)
 - In line with the Bank's credit policy, loans will not be extended to companies involved in the gambling, pornography, or disputed weapons production sectors. The Framework also clarifies that proceeds of the green or sustainability bonds will not be allocated to support fossil fuel or nuclear energy production.
- Project Evaluation and Selection:

⁶ A 30% improvement can be demonstrated by either a two-step improvement in EPC, from the label calculated based on year of construction, or a 30% improvement in measured energy use (in kWh/m²) from the amount detailed in the calculated energy label. Where EPC's are available, only a 'D' label or better is considered for eligibility.

⁷ Sustainalytics notes that the baseline for these calculations is the energy performance requirement specified by the building code in the year of construction, not actual energy use, however, is of the opinion that these refurbishments will provide positive environmental impacts.

⁸ <https://knif.no/SitePages/Knif.aspx>

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- Sparebanken Sør will establish a register of all new and existing loans that meet the eligibility criteria, loans will be drawn from this list for green and sustainability bonds. For covered green bonds, the official Land Registry, which supplies data to Norwegian mortgage bond issuers, will be consulted for information such as year of construction.
- The Bank has established a dedicated committee, the Sparebanken Sør Sustainability Bond Committee, for project evaluation and selection which includes representatives such as the CEO, Co-Director and Head of Corporate Market, Director of Retail Market, CEO of Sparebanken Sør Boligkreditt, Director of Risk Management, Chief of Staff, and Head of Treasury and Finance Manager. The inclusion of senior management is considered robust and aligned with market practice.
- Management of Proceeds:
 - Sparebanken Sør will use a portfolio approach to manage the proceeds of its green covered bond(s) and/or sustainability bond(s) by ensuring that the outstanding balance of eligible loans meets or exceeds the value of outstanding bonds. Sustainalytics considers this to be consistent with market practice.
 - In line with market practice, any unallocated proceeds will be held or invested in money market instruments within the Bank's liquidity portfolio.
- Reporting:
 - The Bank will provide annual reporting until proceeds from the bond(s) are fully allocated. Reporting will be made available online.
 - Allocation reporting will include the total amount allocated to the portfolio, the number of eligible loans, the balance of unallocated proceeds, and the amount and share of financing/refinancing.
 - Impact reporting will include quantitative metrics for each eligibility category, including reduction in energy consumption for green buildings and the number of students benefiting from educational facilities built. For social projects, the geographical distribution of projects will be provided, such as at the country and / or geographical area level.
 - Sustainalytics considers this reporting to be in line with market practice, and notes that reporting on the geographical distribution provides some transparency regarding targeted populations, in particular in the context of developing countries.

Alignment with Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines 2018

Sustainalytics has determined that Sparebanken Sør's green covered bond and sustainability bond aligns to the four core components of the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

Sparebanken Sør's approach to sustainability is underpinned by its overall corporate objective, which is defined as "to create growth and development in the region, and to do this in a responsible and sustainable manner".⁹ Consequently, the Bank holds itself to dual objectives: to both ensure profitable returns and to contribute to a good living environment in the communities in which it operates. The Bank's corporate policy regarding corporate social responsibility, approved in 2017, lays out five key principles: good corporate governance, climate and the environment, social responsibility, process and organization, and reporting.¹⁰ With specific regard to the environment, as part of its climate strategy Sparebanken Sør publishes an annual report of carbon accounting, aligned with international standards developed by the Greenhouse Gas Protocol

⁹ <https://www.sor.no/globalassets/financial-reporting/annual-report-2017-sparebanken-sor.pdf>

¹⁰ <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/konsernpolicy-samfunnsansvar/>

Initiative. In 2017, the Bank's total emissions (Scopes 1, 2 & 3) totaled 476.4 tCO₂e, a decrease of 7.1% over the preceding year.¹¹

The Bank has stated that this social responsibility approach informs the development of the products and services it offers to its local communities.¹² The Framework contributes to this objective by providing for lending that furthers the social development of the communities in which the Bank and its non-profit clients operate, through the Access to Essential Services use of proceeds category, as well as furthering sustainable economic development through the categories of green buildings, renewable energy, and eco-efficient products.

Overall, Sustainalytics views positively the principles of Sparebanken Sør's sustainability strategy, is of the opinion that the Framework will contribute to advancing this strategy, and that the Bank is well-positioned to issue Green and/or Sustainability Bonds. Sustainalytics encourages the Bank to further formalize its sustainability commitments through quantitative and time-bound targets.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from Green & Sustainability bond(s) issued by Sparebanken Sør will be directed towards eligible projects that generally provide environmental and/or social benefits. However, by offering lending and financial services, banks are exposed to risks associated with controversial companies and/or projects they may finance, and as such, may inadvertently finance activities that have negative social or environmental impacts. These risks include, but are not limited to, pollution and impacts on biodiversity from construction and impacts on local communities from green building construction and material procurement. To mitigate these risks, Sparebanken Sør has procedures in place to assess and address various risks, including:

- A statement on corporate governance, in which the Bank emphasizes that "values and guidelines for ethics and social responsibility have great significance," and goes on to specify four key areas in which the bank takes specific governance approaches: Social Responsibility, Ethical Guidelines, Measures against money laundering and terror funding, and Environmental matters. This includes a recognition that the Bank must act "in concert with the society in which we operate" and commitments that Sparebanken Sør will "follow stringent requirements for honesty and good business ethics" and "takes the climate challenges into consideration".¹³
- A policy on Ethics and Transparency, consisting of a commitment that all employees must act in a way "that is perceived as trustworthy and honest and which is in accordance with the norms, rules and laws of society."¹⁴ To enact this policy, an ethics document has been established, which is reviewed annually and approved by the Board of Directors, which lays out specific actions that employees must take and factors that should be considered in the decision-making process.¹⁵
- Commitments to operate with respect for Norwegian law, as well as in a manner consistent with international guidelines such as the UN Global Compact.¹⁶
- Credit risk policies, including risk classification of potential borrowers, which has been assigned a "top priority" in the Bank's operations. These policies will continue to apply to loans and mortgages which qualify for the Framework, ensuring that the Green & Sustainability bonds do not contribute to additional financial risk for the Bank or for borrowers.
- An exclusionary list, which states that the Bank will not lend to businesses involved in gambling, pornography, the production of certain weapons, or tobacco.

Based on the policies in place, the formal exclusionary list within the Framework, and the regulatory context in which Sparebanken Sør operates, Sustainalytics considers the Bank to be well-placed to mitigate common environmental and social risks associated with the loans financed by the Framework.

¹¹ <https://www.sor.no/globalassets/organisasjon/total-climate-report-2018-sparebanken-sor.pdf>

¹² <https://www.sor.no/globalassets/financial-reporting/annual-report-2017-sparebanken-sor.pdf>

¹³ <https://www.sor.no/globalassets/financial-reporting/annual-report-2017-sparebanken-sor.pdf>

¹⁴ <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/etikkk-og-apenhet/>

¹⁵ <https://www.sor.no/globalassets/organisasjon/etiske-retningslinjer.pdf>

¹⁶ <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/konsernpolicy-samfunnsansvar/>

Section 3: Impact of Use of Proceeds

The two use of proceeds categories are recognized as impactful by the Green Bond Principles or the Social Bond Principles. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Contribution of the Framework to achieving climate targets

As part of its commitment to the Paris Agreement, Norway has set a target of 40% greenhouse gas (GHG) emissions reductions by 2030, compared to the 1990 baseline.¹⁷ These goals are part of a broader strategy which seeks to achieve a 30% interim reduction in GHGs by 2020, climate neutrality by 2030, and the development of a low-emission society by 2050.¹⁸

In 2015, households accounted for 21% of Norway's final energy consumption,¹⁹ indicating that this represents an area in which improvements may have significant impacts. In addition to Energy Performance Certificates and reputable certifications such as LEED and BREEAM, Sparebanken Sør intends to use Norwegian building codes to determine if residential buildings, including both apartments and other dwellings, are top energy performers. In particular, the Framework states that apartment buildings compliant with the two most recent building codes (TEK10 and TEK 17) and other dwellings compliant with the three most recent codes (including also TEK07) will be eligible for inclusion in the green bond. Sustainalytics considers these building codes to be demonstrative of positive environmental impact based on several factors. The Norwegian codes are considered to be some of the strictest mandatory building regulations in the world;²⁰ the regulations themselves specify both mandatory standards for individual components, as well as overall quantitative performance.²¹ Furthermore, work from the third-party consultant Multiconsultant ASA has defined that that the two most recent codes covered buildings which made up, collectively, the top 7% of buildings in Norway by energy efficiency, while the criteria collectively refer to the top 12%. Finally, it should be noted that the Climate Bond Initiative has determined that TEK07 for houses and TEK10 for apartments are compliant with its trajectory methodology as part of a transition to a low-carbon economy.²²

Sustainalytics is of the opinion that Sparebanken Sør's Green & Sustainability bonds will contribute to meeting Norway's climate targets and the broader EU climate targets by financing and refinancing buildings with high energy efficiency standards as well as providing lending for commercial green buildings.

Access to essential services

The proceeds of Sparebanken Sør's sustainability bonds may be directed to Access to Essential services, namely lending support the provision of healthcare or education. These use of proceeds categories are explicitly recognized by the Social Bond Principles when target populations are being served. The projects financed by the Bank may be located in Norway, or in countries in South America, Africa, and Asia through cooperation with the Norwegian nonprofit KNIF.

Social lending in Norway

Norway's healthcare system "can be characterized as semi-decentralized", with the central and local governments each having spheres of responsibility, as well as being built on the "principle of equal access to services for all inhabitants".²³ According to the OECD, Norway has an "impressive and comprehensive health system" and that while "on most indicators Norway's health system appears to be performing well, although there is some room for improvement."²⁴ Considering the context of a well-performing and highly accessible health care system, Sustainalytics is of the opinion that the vulnerable groups cited in the Framework, including the elderly and those with physical or mental disabilities, will benefit from the financing provided by the sustainability bond. Sustainalytics encourages Sparebanken Sør to prioritize investments which benefit disadvantaged populations, and to continue to report on the vulnerable groups served.

Norway's education system is designed to be "inclusive and free of charge", with primary and lower secondary being mandatory "whereas upper secondary school is a statutory right"; the system is also characterized by

¹⁷ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Norway%20First/NorwayINDC.pdf>

¹⁸ <https://www.regjeringen.no/contentassets/52d65a62e2474bafa21f4476380cffda/t-1563e.pdf>

¹⁹ Note that this figure excludes energy use in the country's offshore oil and gas sector, which contributed to almost a third of all carbon emissions.

²⁰ <https://qhaus.eu/articles/151-tek10-tek15-husbanken-ns3700-passivhaus-standard-how-norway-is-leading-the-energy-efficiency-revolution/>

²¹ <https://dibk.no/globalassets/byggeregler/regulation-on-technical-requirements-for-construction-works--technical-regulations.pdf>

²² <https://www.climatebonds.net/standard/buildings/residential/calculator>

²³ <https://www.hspm.org/countries/norway08012014/livinghit.aspx?Section=2.1%20Overview%20of%20the%20health%20system&Type=Section>

²⁴ https://www.oecd-ilibrary.org/social-issues-migration-health/oecd-reviews-of-health-care-quality-norway-2014_9789264208469-en

its highly public nature, with “relatively few private schools”.²⁵ In 2018, fewer than 8% of students in upper secondary education attended private institutions,²⁶ while less than 3% of the total educational spending in was private.²⁷ Both public investment and educational attainment in Norway are relatively high compared to similar countries, with the high levels of achievement also noted in the areas of overall literacy and lifelong learning, the latter of which is considered by the OECD to be “very well developed”.²⁸ In this context, Sustainalytics is confident that the lending activities described in the Framework will benefit disadvantaged populations, including minority groups and immigrants.

Social lending abroad in cooperation with KNIF

KNIF a Norwegian Christian Interest Organization is a cooperative for participating corporates and Christian institutions with a common purpose to negotiate joint agreements on behalf of its members, within financing, deposits and payment services. The cooperative also offers negotiations and services within accounting, asset management, fundraising, insurance and travel. The individual corporations and institutions have a direct relationship with Sparebanken Sør. As described in the Framework, financing from Sparebanken Sør can contribute to the construction of hospitals and schools in Norway and emerging markets (specifically in Africa, Asia and South America), as well as other social care in these areas.

Improving health, knowledge, and skills has been identified as a key factor in development by the World Bank, which also notes in its Human Capital Index that many countries in the regions mentioned above do not achieve strong outcomes in these areas.²⁹ It is in this context that Sustainalytics considers that these loans, offered by Sparebanken Sør to various organizations under the auspices of KNIF, will deliver positive social outcomes to vulnerable populations. Sustainalytics notes that it has not evaluated in detail the individual projects that will be undertaken, however, considers that the KNIF’s overall attention to important social issues provides a level of comfort that projects undertaken will be subject to appropriate assessment.³⁰

Alignment with and contribution to the Sustainable Development Goals

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Access to Essential Services - Healthcare	3. Good Health and Wellbeing	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services - Education	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes 4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

²⁵ https://eacea.ec.europa.eu/national-policies/eurydice/content/norway_en

²⁶ <https://www.ssb.no/statbank/table/05326/tableViewLayout1/>

²⁷ https://read.oecd-ilibrary.org/education/education-at-a-glance-2018_eag-2018-en#page274

²⁸ <https://www.oecd.org/norway/Norway-EAG2014-Country-Note.pdf>

²⁹ <https://openknowledge.worldbank.org/bitstream/handle/10986/30498/33252.pdf?sequence=5&isAllowed=y>

³⁰ <https://knif.no/Infosider/Samfunn/Samfunn.aspx>

Conclusion

Sparebanken Sør has developed the Sparebanken Sør Green & Sustainability Bond Framework, under which it intends to issue Green Covered Bonds and Sustainability Senior Bonds, and use the proceeds to finance a portfolio of loans related to green buildings and access to essential services. Sparebanken Sør Boligkreditt AS, the Bank's dedicated covered bond issuance entity, will issue the Green Covered Bonds to finance green residential buildings, while the Senior Sustainability Bonds will finance loans to commercial green buildings and eligible healthcare and education projects.

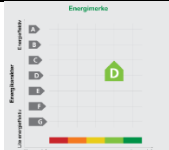


The use of proceeds category specified in the Framework is aligned with those of the Green Bond Principles and/or Social Bond Principles 2018; the Bank has described a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the investments funded by the Green Bonds will contribute to the advancement of the UN Sustainable Development Goals, in particular Goals 3, 4, and 11.

Based on the above, Sustainalytics is confident that Sparebanken Sør is well-positioned to issue Green and Sustainability Bonds, and that the Sparebanken Sør Green & Sustainability Bond Framework is robust, transparent, and in alignment with the Green Bond Principles 2018, Social Bond Principles 2018 and Sustainability Bond Guidelines 2018.

Appendices

Appendix 1: Overview of Buildings Codes and Certifications Referenced

	Norwegian Building Codes	EPC	BREEAM	LEED
Type	Regulatory Code	Mandatory Rating	Voluntary Certification	Voluntary Certification
Background	<p>Norwegian Building Codes are regulations enforced by the Ministry of Local Government and Modernization pursuant to the Planning and Building Act and the Nature Diversity Act.</p> <p>The deployment of the Norwegian Building Codes is intended to ensure that projects are planned, designed and executed on the basis of good visual aesthetics, universal design, and in a manner that ensures that the project complies with the technical standards for safety, the environment health and energy.</p>	<p>An Energy Performance Certification (EPC) is a rating which assigns a rating of energy efficiency to a home, apartment, or other building. The Norwegian EPC scheme is broadly aligned with EPCs across Europe. As of 2010, EPCs are mandatory for any newly built, sold, or rented building.</p>	<p>BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990.</p> <p>Based in the UK.</p> <p>Used for new, refurbished and extension of existing buildings.</p>	<p>Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.</p>
Certification levels	Compliant or non-compliant status	<ul style="list-style-type: none"> • A • B • C • D • E • F • G 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding 	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum
Areas of Assessment: Environmental Performance of the Building	<p><u>For TEK17:</u></p> <ul style="list-style-type: none"> • Common provisions • Documentation of compliance with the requirements • Documentation of products • Documentation for management, operation and maintenance (MOM) • Degree of utilization • Calculation and measurement rules • Protection against act of nature • Developed outside areas • External environment • Structural safety • Fire safety • Layouts of and building elements in construction works • Indoor climate and health • Energy • Installation and plants • Lift safety inspections 	<ul style="list-style-type: none"> • Energy Efficiency • Heating Rating (how well can the home be heated with alternative sources) 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority

	<ul style="list-style-type: none"> • Entry into force and transitional provisions 			
<p>Requirements</p>	<p>The Norwegian building code is a function-based Building Code, with the technical requirements being specified in the form of functions or performance within the relevant areas of assessment. The requirements are either in the form of qualitative or quantitative performance and are designed as a pre-accepted performance. Once these pre-accepted performances are respected, compliance with the Norwegian Building Regulation is granted by the Norwegian Building Authority.</p>	<p>The EPC is calculated based on a mathematical model of the home's physical features such as insulation, heating systems, building structure, and assumed use patterns. Homes aligned with the TEK10 building code will obtain at least a C rating.</p>	<p>Prerequisites depending on the levels of certification, and credits with associated points.</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>
<p>Performance display</p>	<p>N/A</p>			

Appendix 2: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Sparebanken Sør
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Sparebanken Sør Green & Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 22, 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – green buildings and access to essential services – are aligned with those recognized by the Green or Social Bond Principles. Sustainalytics considers that mortgages for energy-efficient properties and lending to green buildings projects and essential service providers will lead to positive environmental and/or social impacts and advance the UN Sustainable Development Goals, in particular Goals 3, 4, and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |

- Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs
 Other (please specify):

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Sparebanken Sør has established a dedicated Sustainability Bond Committee for project evaluation and selection which includes representatives from senior management such as the CEO, Co-Director and Head of Corporate Market, Director of Retail Market, CEO of Sparebanken Sør Boligkreditt, Chief of Staff, Head of Treasury and Finance Manager. A register of eligible loans will be created to which the funds will be allocated. Sustainalytics considers this to be in line with market best practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Sparebanken Sør will use a portfolio approach to manage the proceeds of its green and/or sustainability bonds, and any unallocated proceeds will be held or invested in money market instruments, in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner

- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section (if applicable):

The Bank will provide annual impact and allocation reporting until the bond(s) are fully allocated, including relevant quantitative metrics such as greenhouse gas emissions avoided, number of hospitals funded, and number of people served by educational lending. Additionally, for its social lending, the information on the geographical breakdown of projects, such as by country or region, will be provided. Sustainalytics views these allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- Annual
 Semi-annual
 Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
 Decrease in water use
 Number of beneficiaries
 Target populations
 Other ESG indicators (please specify): As specified in Framework

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
 Information published in ad hoc documents
 Other (please specify): Corporate website
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):**Date of publication:****ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.

-
- ii. Verification: An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
 - iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
 - iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

