

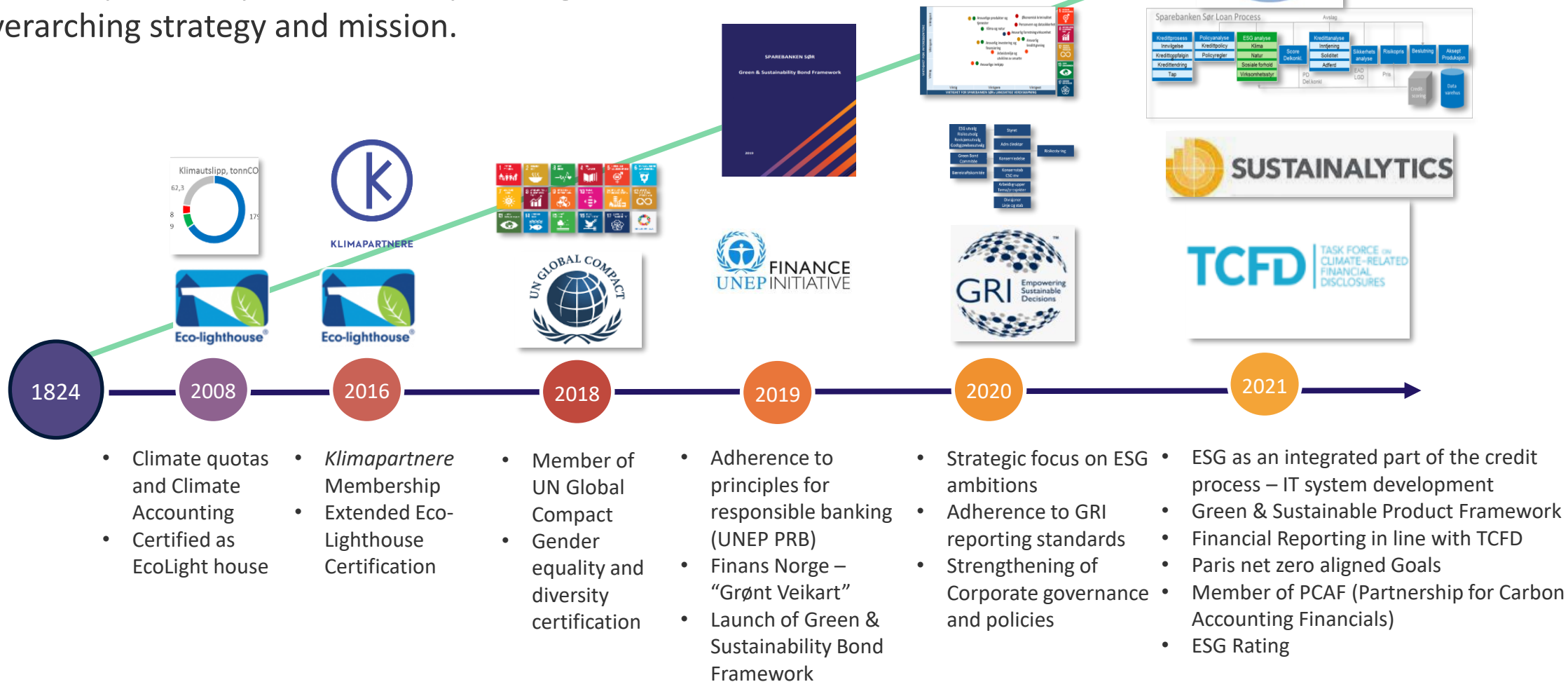


Sparebanken Sør




Green & Sustainability Bond Framework November 2022

ESG in Sparebanken Sør

Sparebanken Sør has a long lasting tradition for taking on social responsibility. Sustainability is integrated in the bank's overarching strategy and mission.



ESG ambitions and achievements

Carbon footprint	ESG in the Credit Process	Emissions in loan portfolios	Green and Social Bonds	Donations Diversity certified	A global perspective
<p>The banks climate emissions:</p> <ul style="list-style-type: none"> • 55% reduction in climate emissions by 2030 • Zero climate emissions by 2050 	<ul style="list-style-type: none"> • ESG as an integral part of the credit process • An improved ESG-credit system with TietoEvry 	<p>The banks lending and investment:</p> <ul style="list-style-type: none"> • CO2 emissions measured for approximately 60% of mortgages • A loan portfolio with lower greenhouse gas emissions versus the national average 	<ul style="list-style-type: none"> • Green & Sustainability Bond Framework (2019/2022) ✓ 500 mill EUR green covered bond 2019 ✓ Contribute to further develop the Norwegian Green Bond Market 	<ul style="list-style-type: none"> • Substantial regional donations for sustainable and socially beneficial purposes • Gender equality and diversity certification 	<p>Adherence to</p> <ul style="list-style-type: none"> • UN Global Compact Advanced • Global Reporting Initiative • UNEP Finance Initiative PRB – Reporting Standards and Self-Assessment • TFCDD report 2020
<ul style="list-style-type: none"> ✓ Climate accounts for 2021, show a reduction in carbon emissions 	<ul style="list-style-type: none"> ✓ Target of 40% reduction in emissions from the RM and CM portfolio by 2030 ✓ Zero emission by 2050 				

Top ratings on sustainability

ESG Risk Rating

11.7

Updated Aug 20, 2021

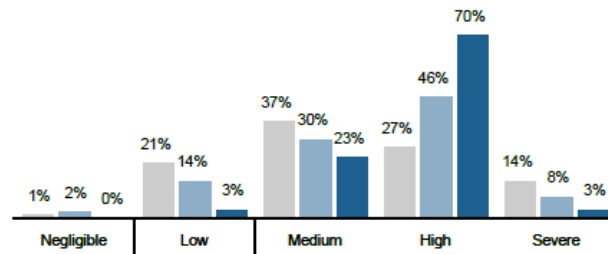
Not available

Momentum

Low Risk



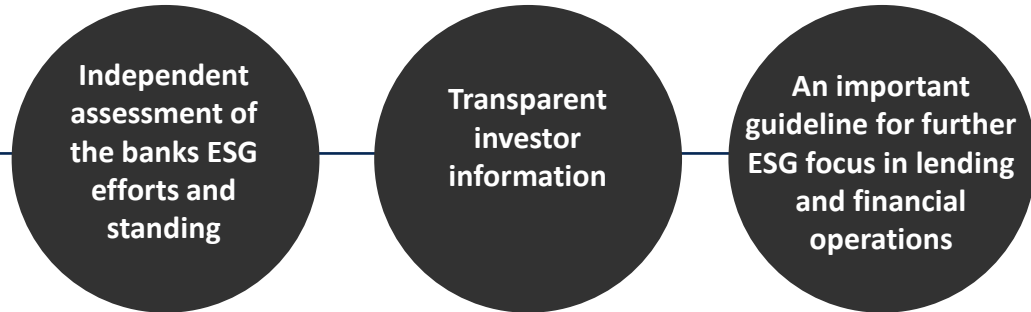
ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	313/13593	3rd
Banks INDUSTRY	31/1006	4th
Regional Banks SUBINDUSTRY	4/410	2nd

The importance of an ESG rating ranking among the best



SUSTAINALYTICS
a Morningstar company

ESG
INDUSTRY
TOP RATED

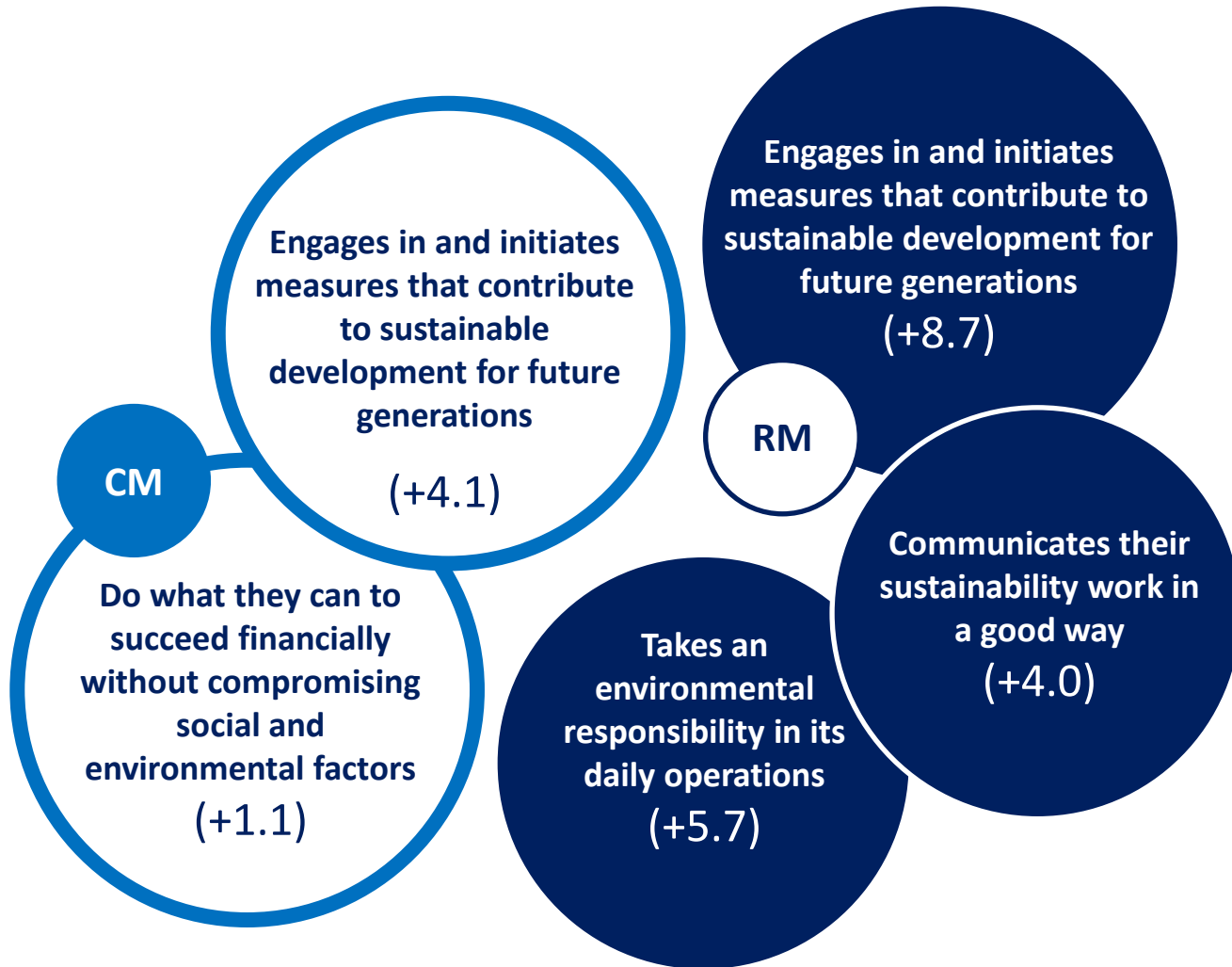


SUSTAINALYTICS
a Morningstar company

ESG
REGIONAL
TOP RATED



Customers are noticing that we work with sustainability



Green & Sustainability Bond Framework 2022

- Green and Social project categories: Green buildings, healthcare and education
- Adherence to the 2021 ICMA Green Bond Principles, Social Bond Principles and the Sustainability Bond Guideline
- Update compared to the 2019 framework:
 - Tightened eligibility criteria in line with best market practice
 - The Green use of proceeds in full alignment with the EU Taxonomy



- ✓ *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 GBP, SBP and SBG.*
- ✓ *Sustainalytics has assessed the Sparebanken Sør Green & Sustainability Bond Framework for alignment with the EU Taxonomy, and is of the opinion that the Framework's green eligibility category (which maps to one EU activity) aligns with the applicable technical screening criteria (TSC) in the EU Taxonomy, and aligns with the do no significant harm (DNSH) criteria.*

Green & Sustainability Bond Framework

Through issuing Green & Sustainability Bonds, Sparebanken Sør intends to contribute to the development of the green & sustainability bond market while highlighting its Sustainability Strategy to capital markets participants. In addition, Green/Sustainability Bonds will help to diversify Sparebanken Sør's investor base and to broaden dialogue to existing investors.

This Green & Sustainability Bond Framework is based on the Green Bond Principles, Social Bond Principles as well as Sustainability Bond Guidelines, all published by the International Capital Markets Association in their most recent iteration (2021). The framework enables Sparebanken Sør and the independent covered bond institute Sparebanken Sør Boligkreditt to issue a variety of bond formats, including, but not limited to Senior Preferred Bonds, Senior Non-Preferred Bonds and Covered Bonds. These and other formats can be issued as different bond types, such as Green or Sustainability Bonds. The variety of different formats and types will be referred to as Green & Sustainability Bonds throughout this document.

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 this framework with the EU Taxonomy to the degree feasible.

The alignment of the framework with the EU taxonomy has been assessed by Sustainalytics. The framework is found to be:

- ✓ Aligned with relevant Technical Screening Criteria
- ✓ Aligned with relevant Do No Significant Harm criteria
- ✓ Aligned with Minimum Social Safeguards



Second-Party Opinion: Sparebanken Sør Green & Sustainability Bond Framework



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 Bond Principles and the Social Bond Principles. Sustainalytics considers that mortgages for energy-efficient properties and lending to green buildings projects and essential service providers are expected to lead to positive environmental and social impacts, and help advance the UN Sustainable Development Goals, in particular SDGs 3, 4 and 11.



PROJECT EVALUATION / SELECTION Sparebanken Sør's Green and Sustainability Bond Committee will be responsible for evaluating and selecting projects in line with the eligibility criteria under the Framework. The committee comprises representatives from the Bank's Group Sustainability, Group Treasury and Corporate Management teams, Sparebanken Sør Boligkreditt, and other applicable business units. Sparebanken Sør's risk management measures apply to all allocation decisions. Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS Sparebanken Sør's Green Bond Committee will be responsible for management and allocation of proceeds, and will track the use of proceeds through a register. The Bank will use a portfolio approach to manage the proceeds of its bonds, and any unallocated proceeds will be held or invested in money market instruments within 24 months of allocation, in line with market practice.



REPORTING The Bank will provide annual impact and quarterly allocation reporting until the bonds' proceeds are fully allocated, including relevant quantitative metrics such as greenhouse gas emissions avoided and the number of healthcare or educational units and projects supported. Sustainalytics views the allocation and impact reporting as aligned with market practice.










Green & Sustainability Bond Framework 2022

Adjusted to comply with the development in EU taxonomy



- Changes in the Green use of proceeds to be aligned with the EU Taxonomy
 - TEK07 (2009-2012), EPC-label C and BREEAM/LEED classification are not included in the new Framework
 - New buildings (completed after 31 December 2020)
 - Buildings must meet an energy-efficiency of at least 10% better than NZEB (Nearly Zero Energy Buildings). NZEB is yet to be implemented in Norway.
 - Buildings of 5000m² and larger will be required to document the life-cycle Global Warming Potential (GWP) of the building resulting from the construction.
 - Renovated buildings are only included if EPC label A or B is achieved



2022 Bond Framework: Green project categories

Use of proceeds	Category	Description	Criteria	Taxonomy alignment
Green Residential Buildings	Green apartments	Apartments that are among the top 15 % in energy efficiency in Norway	In accordance with building code from 2010 (TEK 10) or 2017 (TEK 17). Building completed in 2012 or later.	
	Other types of green residential buildings	Residential buildings that are among the top 15 % in energy efficiency in Norway	In accordance with building code from 2010 (TEK 10) or 2017 (TEK 17). Building completed in 2012 or later	
	Older residential buildings	Apartments and other residential buildings that were completed under a building code prior to TEK10	The building has received an energy performance certificate with character A or B	
	New green residential buildings	New residential buildings with an energy efficiency of at least 10% above regulation for Nearly Zero Energy Buildings, i.e. NZEB -10%	The building was completed after 31.12 2020, and in addition the building's energy-efficiency (kWh/m2) per year is at least 10% better than NZEB. The Norwegian implementation of NZEB is still pending.	
Green Commercial Buildings	Green commercial buildings – hotels and restaurants	Hotel- and restaurant buildings which are among the top 15% in energy efficiency in Norway	In accordance with building code from 2010 (TEK 10) or 2017 (TEK 17). Building was completed in 2013 or later.	
	Green commercial buildings – offices, shops, industry	Office-, shop- and industry buildings which are among the top 15% in energy efficiency in Norway	In accordance with building code from 2010 (TEK 10) or 2017 (TEK 17). Building was completed in 2012 or later.	
	New green commercial buildings	New commercial buildings with an energy efficiency of at least 10% above regulation for Nearly Zero Energy Buildings, i.e. NZEB -10%	The building was completed after 31.12 2020, and in addition the building's energy-efficiency (kWh/m2) per year is at least 10% better than NZEB. The Norwegian implementation of NZEB is still pending	

2022 Bond Framework: Social project category

Use of proceeds	Category	Description	Objective	SDG Mapping
Social Eligible Projects	Access to Essential Services	Loans for Activities that support healthcare, social care, education and vocational training	Health – and social care* Education**	 

***Healthcare and social care:** Loans for activities that support public/free/subsidised health and social care (e.g. construction and equipment hospitals, clinics and healthcare centres for the provision of public/free/subsidised healthcare services, acquisition of medical equipment or provision of diagnostic services, emergency medical response and disease control, programmes for the promotion of health and well-being). Eligible projects will service all citizens, including vulnerable population groups such as the elderly and physically or mentally dependent persons.

****Education and vocational training:** Loans for activities that expand the access to free and/or subsidised primary, secondary, adult and vocational education (e.g. construction of kindergartens, schools, university campus buildings and/or facilities at any public and non-profit university campus, student housing). Eligible projects will include all populations, including minority groups (e.g. educational grants, educational and/or professional training).

Residential Buildings: CO2 Impact

The Eligible Portfolio has an estimated average energy consumption of less than 50 per cent of the Norwegian average

