



# 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and the Social Bond Principles 2021. 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 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.

<b>Evaluation Date</b>	February 3, 2022 <sup>1</sup>
<b>Issuer Location</b>	Kristiansand, Norway

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### Alignment with the EU Taxonomy

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. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy’s minimum safeguards.

<sup>1</sup> This document is an update of a Second-Party Opinion originally published in August 2019. In November 2021, Sparebanken Sør engaged Sustainalytics to assess its updated Framework and its alignment with the EU Taxonomy. The scope of Sustainalytics’ updated opinion consists of assessing the updated Framework’s alignment with the Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021 and the EU Taxonomy, as well as current market practices.

## Introduction

Sparebanken Sør (or the “Bank”) is an independent regional Norwegian savings bank, providing banking and brokerage services in Norway. Established in 1824 and headquartered in Kristiansand, the Bank has branches in Agder, Vestfold, Telemark and Rogaland. 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, intend to issue green and sustainability bonds and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to generate positive environmental and social impacts, such as mitigating and reducing GHG emissions via green residential and commercial buildings, as well as increasing access to healthcare and education in Norway. The Framework is an update to the Bank’s Green and Sustainability Bond Framework published in 2019, and defines eligibility criteria in two areas:

1. Green Buildings
2. Access to Essential Services

Sparebanken Sør engaged Sustainalytics to review the Sparebanken Sør Green & Sustainability Bond Framework, dated February 2022, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG)<sup>2</sup>, Green Bond Principles 2021 (GBP)<sup>3</sup> and Social Bond Principles (SBP)<sup>4</sup>. The Framework has been published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, Social Bond Principles 2021, and the Sustainability Bond Guidelines 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The use of proceeds criteria alignment with the EU Taxonomy 2021 Delegated Act; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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 the management of proceeds and reporting aspects of the Framework. Sparebanken Sør representatives have confirmed that: (1) they understand it is the sole responsibility of Sparebanken Sør to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>.

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>.

<sup>4</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>.

<sup>5</sup> The Sparebanken Sør Green & Sustainability Bond Framework is available on Sparebanken Sør’s website at: <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/green-and-sustainability-bond-framework/>.

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Sparebanken Sør.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Sparebanken Sør has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

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

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 highlights the following elements of Sparebanken Sør's Green & Sustainability Bond Framework:

- Use of Proceeds:
  - The eligibility categories – Green Buildings and Access to Essential Services – are aligned with those recognized by the GBP and SBP. Sustainalytics is of the opinion that the Bank's investment under the Framework is expected to contribute in the transition to a low-carbon economy and is expected to generate positive social impact in Norway.
  - Through the Green Building category, Sparebanken Sør may finance or refinance the development or acquisition of new and existing residential and commercial buildings in Norway. The Framework defines as eligible residential<sup>7</sup>, commercial and industrial buildings<sup>8</sup>, new or existing, which meet the criteria mentioned below:
    - New and existing buildings that are in top 15% in energy efficiency in Norway, which include: (i) buildings that comply with the TEK 10 or TEK 17 building codes, of 2010 and 2017 respectively; (ii) apartments or other residential buildings completed under a building code prior to TEK 10 receiving an Energy Performance Certificate Label A or B.
    - Industrial buildings that are among the top 15% in energy efficiency in Norway. Sparebanken Sør has confirmed to Sustainalytics that industrial buildings financed under this Framework will not undertake activities related to the production, refining, transport nor storage of fossil fuel.

Sustainalytics views the above criteria and certification schemes to be in line with market practice. See Appendix 4 for a comparison of green building schemes.

- Under the Access to Essential Service category, Sparebanken Sør may finance loans or activities that support healthcare, social care, education and vocational training, which may include the following:

<sup>7</sup> Residential buildings include apartments and other residential buildings.

<sup>8</sup> Commercial buildings include hotels, restaurants, offices, shops and industry buildings.

- Activities that support the construction and equipment of public, free or subsidized hospitals, clinics and healthcare centres. The Bank has confirmed that the health and social care activities financed under this Framework will be accessible to all regardless of ability to pay. Given this context, Sustainalytics views investments under this category as aligned with market practice.
  - Activities that expand the access to free, subsidized primary, secondary, adult and vocational education, including construction of kindergartens, schools, university campus buildings, and facilities at any public and non-profit university campus, as well as student housing. The projects financed will be accessible to all, including minority groups, regardless of ability to pay.
- Sustainalytics notes that the Framework has the following exclusion criteria: gambling, pornography, tobacco, disputed weapons production sectors, fossil fuel or nuclear energy production. Sustainalytics views the exclusion of activities that have potential negative environmental and social impacts to further strengthen the Sparebanken Sør Green & Sustainability Bond Framework.
- Project Evaluation and Selection:
  - The Bank has established a dedicated committee for project evaluation and selection. The Sparebanken Sør's Green and Sustainability Bond Committee includes representatives from the Bank's Group Sustainability, Group Treasury, Corporate Management, Sparebanken Sør Boligkreditt, and other applicable business units. Sparebanken Sør selects eligible green and social projects that are in line with the eligibility criteria outlined in the Framework and the final decision on each selected project is made unanimously by the committee.
  - Sparebanken Sør has introduced an ESG risk analysis in its credit assessment process by undertaking a risk assessment process of all its customers, industries and assets to ensure compliance with environmental and social standards. This process also includes compliance with the Bank's self-imposed restrictions for lending to certain industries, which also applies to all loans.
  - Sustainalytics considers project selection and the risk assessment process to be aligned with market practices.
- Management of Proceeds:
  - Sparebanken Sør's Green Bond Committee will be responsible for managing the allocation process using a portfolio approach and will track the use of proceeds through a register.
  - The Bank intends to reach full allocation within 24 months of issuance. Any unallocated proceeds will be held or invested in money market instruments within the Bank's liquidity portfolio. Sustainalytics views this as best market practice.
  - Based on the establishment of a tracking system and the allocation timeframe, Sustainalytics considers this process to be in line with the market practice.
- Reporting:
  - Sparebanken Sør will report on the allocation of proceeds quarterly and impacts on an annual basis until full allocation of the net proceeds. Reporting will be made available online.<sup>9</sup>
  - Allocation reporting will include the total amount allocated, amount invested in green and social categories, detailed description and case studies of selected eligible assets and projects financed, share of allocations to subgroups in the building category (e.g. residential and commercial buildings, TEK groups, EPC labels), and the balance of unallocated proceeds.
  - Impact reporting will include quantitative metrics for each eligibility category, including reduction in energy consumption for green buildings, annual GHG emissions reduced or avoided in tCO<sub>2</sub>e and the number of hospitals, nursing homes, rehabilitation centres, public educational facilities supported.
  - Based on the frequency and accessibility of the allocation and impact report, Sustainalytics considers the reporting commitments to be in line with market practice.

<sup>9</sup> Sparebanken Sør, "Allocation Reports", (2021), at: <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/green-and-sustainability-bond-framework/allocation-reports/>

Sparebanken Sør, "Green & Sustainability Impact Report", (2021), at: <https://www.sor.no/felles/om-sparebanken-sor/about/investor-relations/green-and-sustainability-bond-framework/impact-report/>

### Alignment with Green Bond Principles 2021 and Social Bond Principles 2021

Sustainalytics has determined that the Sparebanken Sør Green & Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 5: Sustainability Bond Programme External Review Form.

### Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework’s eligible green use of proceeds criteria against the relevant criteria in the EU Taxonomy and determined their alignment with each of the Taxonomy’s three sets of requirements. The results of this assessment are as follows:

1. Technical Screening Criteria (“TSC”)
  - The eligible green criteria outlined in the Framework were assessed and are aligned with the applicable TSC of the EU Taxonomy.
2. Do No Significant Harm (“DNSH”) Criteria
  - The eligible green criteria are aligned with the applicable DNSH criteria.
3. Minimum Safeguards
  - Based on a consideration of the policies and management systems applicable, Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy’s minimum safeguards requirements will be met.
  - For Sustainalytics’ assessment of alignment with the minimum safeguards, see Section 2 below.

Table 1 provides an overview of the alignment of the Framework with the TSC and DNSH criteria for the corresponding NACE activities in the EU Taxonomy

**Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy**

Framework Criterion	Alignment with Taxonomy Criteria		Alignment per EU Environmental Objective					
	TSC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Ecosystems
Acquisition and ownership of buildings	■	■	■	■	-	-	-	-

Legend	
Aligned	■
Partially aligned	□
Not aligned	⊠
No applicable DNSH criteria for this Objective or Activity	-
Grey shading indicates the primary EU Environmental Objective	

## Section 2: Sustainability Performance of Sparebanken Sør

### Contribution of the Framework to Sparebanken Sør’s sustainability strategy

Sparebanken Sør’s approach to sustainability is underpinned by its overall corporate objective of creating sustainable growth and development. The Bank holds itself to two objectives: to deliver profitable growth and to contribute to sustainable social development in areas where it operates. Sparebanken Sør’s sustainability strategy highlights the following goals: (i) ensuring that the Bank has an ESG strategy that takes account of both risks and opportunities; (ii) supporting socially beneficial causes and upholding important social values; (iii) operationalizing ESG in relevant business areas; (iv) complying with recognized international principles and conventions on climate change and the natural environment, social conditions and corporate governance; (vi) engaging in transparent communication and open dialogue with stakeholders and society.<sup>10</sup> The Bank

<sup>10</sup> Sparebanken Sør, “Sustainability Strategies”, at: <https://www.sor.no/globalassets/organisasjon/barekraft/sustainability-strategy-sparebanken-sor.pdf>

commits to supporting key ESG related principles and standards, including the UN Principle for Responsible Investment (UN PRI), UNEP Principles of Responsible Banking (UNEP FI), UN Global Compact and Norway's 'Roadmap for green competitiveness in the financial sector'. As part of its climate strategy, Sparebanken Sør publishes an annual report on carbon accounting aligned with international standards developed by the Greenhouse Gas Protocol Initiative. In 2020, the Bank's total emissions (scope 1, 2 and 3) added up to 273 tCO<sub>2</sub>e, 34.6% lower than the preceding year.<sup>11</sup>

The Bank has analyzed its lending portfolio to understand its customers' GHG emissions and has concluded that its lending activities contribute to approximately 0.6% of total GHG emissions in Norway. The Bank has set a target to reduce 55% of its operational GHG emissions by 2030 from 2017 levels and attain net zero GHG emissions by 2050.<sup>12</sup> The Bank acknowledges that external business activities contribute to negative climate and environmental impacts. The Bank also conducted a materiality assessment and an impact analysis through which it identified climate, biodiversity and ecosystems, resource utilization, waste and social inclusion as priority areas.<sup>13</sup> In this context, the Bank commits to promoting sustainable finance through its banking products (loans, investment and financing) to encourage customers, suppliers and partners to reduce the impact on climate and environment and move towards sustainable development.

Sustainalytics is of the opinion that the Sparebanken Sør Green & Sustainability Bond Framework is aligned with the Bank's overall sustainability strategy and will further the Bank's action on its key sustainability priorities.

#### Approach to managing environmental and social risks possibly associated with the projects

Sustainalytics recognizes that proceeds from the green, social and sustainability bonds issued by Sparebanken Sør will be directed towards eligible projects that are expected to provide environmental or social benefits. However, by offering lending and financial services, banks are exposed to risks associated with companies and 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. The social assets, in general, are subject to risks of increasing inequality if not targeted well at the relevant population group. Sparebanken Sør has the following procedures in place to assess, address and mitigate various risks:

- The Bank is committed to operating in compliance with Norwegian law, as well as in a manner consistent with international guidelines, such as the UN Global Compact.<sup>14</sup>
- The Bank runs an ESG risk analysis during the credit assessment process, which is standard procedure for all loans. The Bank has included an ESG module which assesses clients and assets in terms of climate risk, biodiversity and ecosystems, social risk and governance.
- Sparebanken Sør has considered ESG as a priority in its strategy plan and has a Policy for Responsible Lending, Policy for Responsible Investments and Responsible Securities Business, Policy for Climate and Environment, Policy for Responsible Procurement, Employee and Human Rights Policy, Policy for Anti-money laundering and terrorist financing, Code of Ethics and Openness, Policy for Privacy.<sup>15</sup> The ESG Committee is the management level committee that governs relevant environment and social risks and reports to the board of directors, which takes active part in internalizing ESG in the Bank's operations and products.
- Sparebanken Sør's disclosures are in line with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) guidelines; structured in accordance with the TCFD's four key elements to identify, assess and mitigate their climate-related risk and opportunities.<sup>16</sup>
- To ensure compliance with the climate, environment and social conditions as well as corporate governance in procurement processes, the Bank has set requirements for its suppliers through its Policy for Responsible Procurement. The Bank has established a risk-based system to assess its suppliers on ESG considerations.<sup>17</sup>

<sup>11</sup> Sparebanken Sør, "Carbon Accounting Report 2020", at: <https://www.sor.no/globalassets/organisasjon/barekraft/carbon-accounting-report-2020-sparebanken-sor.pdf>

<sup>12</sup> Sparebanken Sør, "Sustainability Report 2020", at: <https://www.sor.no/globalassets/organisasjon/barekraft/2020-sustainability-report-sparebanken-sor.pdf>

<sup>13</sup> Sparebanken Sør "Impact Analysis Report 2021", at: <https://www.sor.no/globalassets/organisasjon/barekraft/2021-impact-analysis-report-sparebanken-sor.pdf>

<sup>14</sup> <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/konsernpolicy-samfunnsansvar/>

<sup>15</sup> Sparebanken Sør, "Sustainability Library", at: <https://www.sor.no/felles/om-sparebanken-sor/samfunnsansvar/styringsdokumenter/>

<sup>16</sup> Sparebanken Sør, "TCFD Report 2020", at: <https://www.sor.no/globalassets/organisasjon/barekraft/tcfdrapport-2020-sparebanken-sor.pdf>

<sup>17</sup> Sparebanken Sør, "Code of conduct for suppliers", at: <https://www.sor.no/globalassets/organisasjon/barekraft/policy-ansvarlige-innkjop-sparebanken-sor.pdf>

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 positioned to mitigate common environmental and social risks associated with the loans financed under the Framework.

### Alignment with the EU Taxonomy's minimum safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organization's declaration on Fundamental Rights and Principles at Work.

### Human and Labour Rights

Sparebanken Sør has implemented the following policies and procedure aimed at ensuring human rights:

- Sparebanken Sør's Employee and Human Right policy mandates that the Bank to perform its activities in a way that safeguards employee and human rights in their own organization, and its work with customers, partners, and suppliers. The bank performs a due diligence process to ensure that they do not contribute to the violation of human and employee rights.<sup>18</sup>
- The Bank has established Policy for Responsible Investment and Responsible securities trading<sup>19</sup> and Responsible Lending Policy<sup>20</sup> which ensures that the customers to be financed and companies to be invested in respect and uphold UN's guiding principles on business and human rights, the UN's Declaration of Human Rights and the International Labour Organization's eight core conventions in areas such as child labour, freedom of association, discrimination and forced labour.
- The suppliers require to comply with the Bank's Guidelines for Responsible Purchasing framework based on international guidelines and conventions, including the UN Guiding Principles on Business and Human Rights, and in particular the ILO's labour conventions and the OECD's Guidelines for Multinational Enterprises, along with adherence to local and national laws.<sup>21</sup>
- In addition to above, the suppliers must also comply with the different aspects of the Bank's Responsible Investment policy such as forced labour, slave labour, child labour, discrimination, brutal treatment, health, safety and environment, wages, privacy, whistleblowing and so on.<sup>19</sup>

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Sparebanken Sør in the area of human and labour rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human and labour rights in relation to the activities of the framework.

### Anti-bribery and anti-corruption

Sparebanken Sør has implemented the following policies and procedures aimed at ensuring anti-bribery and anti-corruption:

- The Code of Conduct<sup>22</sup> and Policy for Anti-corruption and Bribery, established by the Bank, provides guidelines to ensures that they follow highest ethical standards and adopt anti-corruption work practises that prevents corruption, trading in influence, bribery and use of facilitation payments.<sup>23</sup>
- The Bank has laid down responsibility to management and employees to ensure adherence to this policy obligation along with mechanism for reporting, control and monitoring.

<sup>18</sup> Sparebanken Sør, "Employee and Human Rights Policy", at: <https://www.sor.no/globalassets/organisasjon/barekraft/policy-employee-and-human-rights-sparebanken-sor.pdf>

<sup>19</sup> Sparebanken Sør, "Policy for Responsible Investment and Responsible Securities Trading", at:

<https://www.sor.no/globalassets/organisasjon/barekraft/policy-responsible-investment-securities-trading-sparebanken-sor.pdf>

<sup>20</sup> Sparebanken Sør, "Responsible Lending Policy", at: <https://www.sor.no/globalassets/organisasjon/barekraft/responsible-lending-policy-sparebanken-sor.pdf>

<sup>21</sup> Sparebanken Sør, "Guidelines for Responsible Purchasing-Supplier Deceleration", at:

<https://www.sor.no/globalassets/organisasjon/barekraft/guidelines-for-responsible-purchasing-sparebanken-sor.pdf>

<sup>22</sup> Sparebanken Sør, "Corporate Social Responsibility", at: <https://www.sor.no/felles/om-sparebanken-sor/about/social-responsibility/group-corporate-social-responsibility-policy/>

<sup>23</sup> Sparebanken Sør, "Anti-Corruption and Bribery Policy", at: <https://www.sor.no/globalassets/organisasjon/barekraft/policy-anti-corruption-and-bribery-sparebanken-sor.pdf>

- The Ethics and Transparency document provides guidelines for issues such as dealing with conflict of interest, confidentiality, handling gifts, purchase of assets on realization, gift donations etc.<sup>24</sup>

Sustainalytics has, based on the work of its research services and its ESG Risk Rating assessment, evaluated the performance of the Sparebanken Sør in the area of anti-bribery and anti-corruption rights, and has not detected involvement in any relevant controversies which would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard anti-bribery and anti-corruption in relation to the activities of the framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Sparebanken Sør policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

### Section 3: Impact of Use of Proceeds

The Framework's two use of proceeds categories are aligned with those recognized by the GBP, SBP and SBG. Sustainalytics has focused on below where the impact is specifically relevant in the local context.

#### Importance of Green Building in achieving Norway's climate target

As part of its Nationally Determined Contributions (NDC) as a signatory to the Paris Agreement, Norway has set a target of 40% GHG emissions reduction by 2030 from a 1990 baseline.<sup>25</sup> This goal is part of a broader strategy which seeks to achieve climate neutrality by 2030 and a low-emission society by 2050.<sup>26</sup>

Households accounted for 22% of Norway's total energy consumption in 2020, indicating potential significant impacts from energy efficiency improvements to residential buildings.<sup>27</sup> Sparebanken Sør intends to use Norwegian building codes to determine eligibility under the Framework, which Sustainalytics considers to be demonstrative of positive environmental impact based on several factors. Norwegian building regulations are considered to be some of the most progressive building regulations in the world in relation to energy efficiency,<sup>28</sup> defining standards for individual components and overall quantitative performance.<sup>29</sup> The most recent update of the Norwegian building code (TEK17) requires residential buildings to become 26% more energy efficient and office buildings to be 38% more energy efficient compared to the previous building code (TEK10) requirements. Installation of fossil fuel heating systems is no longer permitted.<sup>30</sup> The Climate Bond Initiative, for example, also uses Norway's building codes (as far back as TEK07) as criteria for certification under its Climate Bonds Standard.<sup>31</sup>

In view of the above, Sustainalytics is of the opinion that the Sparebanken Sør's Green & Sustainability Bond Framework is expected to contribute to meeting Norway's climate targets by financing and refinancing buildings with high energy efficiency standards as well as providing lending for commercial green buildings.

#### Importance of financing healthcare and education in Norway

The proceeds of Sparebanken Sør's sustainability bonds may be directed to Access to Essential Services, namely lending support to 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.

<sup>24</sup> Sparebanken Sør, "Ethics document for Sparebanken Sør", 2021, at: <https://www.sor.no/globalassets/organisasjon/barekraft/ethics-document-sparebanken-sor.pdf>

<sup>25</sup> UNFCCC, "Submission by Norway to the ADP", at:

[https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Norway%20First/NorwayINDC%20\(Archived\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Norway%20First/NorwayINDC%20(Archived).pdf)

<sup>26</sup> Norwegian Ministry of Climate and Environment, "Norway's Seventh National Communication", 2018, at:

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

<sup>27</sup> Norwegian Ministry of Petroleum and Energy, "Energy use by sector", 2020, at: <https://energifaktanorge.no/en/norsk-energibruk/energibruken-i-ulike-sektorer/>

<sup>28</sup> Q-haus, "How Norway is leading the Energy Efficiency revolution", at: <https://qhaus.eu/articles/151-tek10-tek15-husbanken-ns3700-passivhaus-standard-how-norway-is-leading-the-energy-efficiency-revolution/>

<sup>29</sup> Norwegian Building Authority, "Regulations on technical requirements for construction works", 2017, at:

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

<sup>30</sup> Norwegian Ministry of Climate and Environment, "Norway's Fourth Biennial Report", January 2020, at

[https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/58167\\_Norway-BR4-1-Norway\\_BR4%20\(2\).pdf](https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/58167_Norway-BR4-1-Norway_BR4%20(2).pdf)

<sup>31</sup> Climate Bond Initiative, Location Specific Criteria for Residential Buildings & Calculator, at:

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



Norway ranked 12<sup>th</sup> in the 2020 World Index on Healthcare Innovation but its healthcare system still provides its patients limited options and access to new treatments.<sup>32</sup> Moreover, the responsibility of financing the healthcare sector is divided between Norway's central government and local municipalities, resulting in poor coordination between subsectors of healthcare and longer waiting times for patients. Norway's healthcare sector is also facing heavy expenditures due to the country's ageing population<sup>33</sup> and a shortage of personal healthcare assistants.<sup>34</sup> Considering the above context, Sustainalytics is of the opinion that the vulnerable groups cited in the Framework, including the elderly and those with physical or mental disabilities, are expected to benefit from the financing provided by the sustainability bond issued under the Framework. Sustainalytics encourages Sparebanken Sør to prioritize investments that 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 education being mandatory and tertiary education being a statutory right; the system is also characterized by its highly public nature, with relatively few private schools.<sup>35</sup> Despite financial incentives provided for tertiary education, the share of students from low-income backgrounds completing higher education remains low. According to the OECD, Norway's higher education sector challenges can be addressed by a combination of building adequate-sized institutions, better governance in higher education quality and research, along with incentives for students and institutes to ensure timely completion of degrees, particularly for disadvantaged students.<sup>36</sup> In this context, Sustainalytics is of the opinion that the lending activities described in the Framework are expected to benefit disadvantaged populations and have a positive social impact.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds eventually issued under the Sparebanken Sør Green & Sustainability Bond Framework are expected to help advance the following SDGs 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	4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational, and tertiary education, including university

<sup>32</sup> Dornauer, Mark. (2020), "Norway: #12 in the 2020 World Index of Healthcare Innovation", Freopp, at: <https://freopp.org/norway-profile-12-in-the-world-index-of-healthcare-innovation-8a4b40e51f7b>

<sup>33</sup> Aas, Eline et al. (2021), "The Economic Sustainability of the Norwegian Healthcare System", Emerald Insight, at: <https://www.emerald.com/insight/content/doi/10.1108/S0573-855520210000295010/full/html>

<sup>34</sup> Nordic Labour Journal, "Hospital wants to double the number of healthcare assistants", (2020), at: <http://www.nordiclabourjournal.org/i-fokus/in-focus-2020/article.2020-02-16.0943649321/article.2020-03-24.2080083899>

<sup>35</sup> European Commission, EACEA National Policies Platform, "Norway Overview", at: [https://eacea.ec.europa.eu/national-policies/eurydice/content/norway\\_en](https://eacea.ec.europa.eu/national-policies/eurydice/content/norway_en)

<sup>36</sup> OECDiLibrary, "Addressing the challenges in higher education in Norway", (2016), at: [https://www.oecd-ilibrary.org/addressing-the-challenges-in-higher-education-in-norway\\_5jm0xf28vw8s.pdf?itemId=%2Fcontent%2Fpaper%2F5jm0xf28vw8s-en&mimeType=pdf](https://www.oecd-ilibrary.org/addressing-the-challenges-in-higher-education-in-norway_5jm0xf28vw8s.pdf?itemId=%2Fcontent%2Fpaper%2F5jm0xf28vw8s-en&mimeType=pdf)

## Conclusion

Sparebanken Sør has developed the Sparebanken Sør Green & Sustainability Bond Framework under which it intends to issue green and sustainability bonds and use the proceeds to finance projects related to green buildings and access to essential services. Sustainalytics considers that the projects funded by the green and sustainability bond proceeds are expected to provide positive environmental or social impacts.

The Sparebanken Sør Green & Sustainability Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Sparebanken Sør to report on the allocation and impact of the use of proceeds. Further, Sustainalytics considers the Sparebanken Sør Green & Sustainability Bond Framework to be aligned with the overall sustainability strategy of the Bank and that the green and social use of proceeds categories will contribute to advancing the UN Sustainable Development Goals 3, 4 and 11. Additionally, Sustainalytics is of the opinion that Sparebanken Sør has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Sustainalytics has assessed Sparebanken Sør's 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 sustainable activity under the EU Taxonomy), aligns with the EU Taxonomy's applicable technical screening criteria and aligns with the do no significant harm criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's minimum safeguards.

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 core components of the Green Bond Principles 2021, Social Bond Principles 2021 and the Sustainability Bond Guidelines 2021.

# Appendices

## Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant NACE<sup>37</sup> activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable Technical Screening Criteria (TSC) and Do No Significant Harm (DNSH) criteria. Sustainalytics' assessment involves two steps:

### 1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable NACE activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one NACE activity and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a NACE activity. In such cases, Sustainalytics has mapped to the NACE activity that is most relevant with respect to the primary environmental objective and impacts.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the Taxonomy, and some categories which are traditionally included in green bonds may not be associated with a specific economic activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

The outcome of Sustainalytics' mapping process for Sparebanken Sør Framework is shown in below.

### 2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the TSC and DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes and/or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds, as well as examining the regulatory context in the geographical location in which the issuer will finance activities and projects. (This assessment is included in Section 2, above.)

In cases where the Framework criteria describe projects which are intended to advance EU environmental objectives other than Climate Mitigation or Climate Adaptation, the Taxonomy does not include relevant TSC. In these cases, Sustainalytics has assessed the activity for alignment with the DNSH criteria across all objectives.

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU / NACE Activity	NACE Code	Primary EU Environmental Objective	Refer to Table
Green Buildings	Acquisition and ownership of buildings	Acquisition and ownership of buildings	L68	Mitigation	Table 3

<sup>37</sup> The EU Taxonomy is based on economic activities defined in NACE (Nomenclature des Activités Économiques dans la Communauté Européenne). The Taxonomy currently lists 70 economic activities which have been chosen due to their ability to substantially contribute to climate change mitigation or adaptation.

## Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of Issuer’s Framework criteria with the EU Taxonomy’s TSC and DNSH criteria for the relevant NACE activity.

Table 3

Framework Activity assessed	Acquisition and Ownership of buildings		
EU Activity	Acquisition and ownership of buildings		
NACE Code	L68		
<i>EU Technical Screening Criteria</i>		<i>Alignment with Technical Screening Criteria</i>	
Mitigation	<ol style="list-style-type: none"> <li>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A. As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</li> <li>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of the Annex to EU Delegated Act that are relevant at the time of the acquisition: <ol style="list-style-type: none"> <li>i. Confirm that the Primary Energy Demand (PED) is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) Directive. Energy performance is certified using an as built Energy Performance Certificate (EPC).</li> <li>ii. For buildings larger than 5000 m<sup>2</sup>, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</li> <li>iii. For buildings larger than 5000 m<sup>2</sup>, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</li> </ol> </li> <li>3. Where the building is a large non-residential building (with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for</li> </ol>	<ol style="list-style-type: none"> <li>1. The acquisition and ownership of buildings is limited to existing buildings built before 31-12-2020 belonging to the top 15% of energy efficient buildings in Norway. Furthermore, the Bank has confirmed with Sustainalytics that they intend to finance their green building portfolio which consist of majority of assets built before 31 Dec 2020</li> <li>2. For buildings built after 31 December 2020: <ol style="list-style-type: none"> <li>i. EU regulation of NZEB has not been adopted into Norwegian law yet. A proposal for an updated building code (TEK standard) has been introduced. This proposal is expected to form the Norwegian adaptation of the EU NZEB regulation. Pending ratification, Spb Sør commits to the overall criteria as stated by the Taxonomy – Energy Efficiency 10% lower than the threshold set for NZEB, identified by an EPC label.</li> <li>ii. For buildings larger than 5000 m<sup>2</sup>, the existing building code sets out robust and traceable quality control processes. Air-Tightness testing is included in the existing building code (TEK standard). The Bank expects this to be carried through to the updated building code, which is expected to be the Norwegian adaptation of NZEB.</li> <li>iii. For buildings larger than 5000 m<sup>2</sup>, the bank confirmed that underlying assets will be required to meet the life-cycle GWP criteria, and that documentation of this has to be provided to the issuer</li> </ol> </li> <li>3. Energy performance monitoring and assessments for large non-residential buildings are conducted in Norway, ensuring efficient operation. This is regulated under the Norwegian laws LOV-1990-06-29-50-§8-1, LOV-1990-06-29-50-§8-5, first published in 2009, and in particular paragraphs 5, 8 and chapter 3, which regulates the energy-related assessment of technical installations (Norwegian only). The thresholds for effective rated output under this law are significantly lower than what is stipulated in the taxonomy,</li> </ol>	Aligned

	combined air-conditioning and ventilation of over 290 kW) it is efficiently operated through energy performance monitoring and assessment.	i.e. Norwegian law uses stricter and more granular rules than the taxonomy.  Sustainalytics considers the eligibility category under the Framework to be Aligned with the technical screening criteria of the EU Taxonomy.	
<b><i>DNSH Criteria</i></b>		<b><i>Alignment with DNSH Criteria</i></b>	
Climate Change Adaptation	Refer to the assessment set out in Appendix 3, Table 4		Aligned

## Appendix 3: Criteria for Do No Significant Harm (“DNSH”) to Climate Change Adaptation

Table 4

Criteria for DNSH to Climate Change Adaptation		
<i>DNSH Criteria</i>	<i>Alignment with DNSH Criteria</i>	
<p>The physical climate risks that are material to the activities mentioned above have been identified by the Issuer by performing a robust climate risk and vulnerability assessment.<sup>38</sup> The assessment must be proportionate to the scale of the activity and its expected lifespan, such that:</p> <ul style="list-style-type: none"> <li>for investments into activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using downscaling of climate projections;</li> <li>for all other activities, the assessment is performed using high resolution, state-of-the-art climate projections across a range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 years climate projections scenarios for major investments.</li> </ul> <p>The issuer has developed a plan to implement adaptation solutions to reduce material physical climate risks to the selected activities under this framework.</p> <ul style="list-style-type: none"> <li>For new activities the Issuer ensures that adaptation solutions do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> <li>For activities that involve upgrading or altering existing assets or processes, the Issuer must implement adaptation solutions identified within five years from the start of the activity. In addition, selected adaptation solutions must not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of assets and of other economic activities and are consistent with local, sectoral, regional or national adaptation efforts.</li> </ul>	<p>As part of the transaction approval process, Sparebanken Sør strives to ensure that all its activities comply with internal environmental and social standards. The assessment of such risks takes place at an early stage and is part of the standard operating procedure for all loans. Sparebanken Sør follows a standard procedure for all its loans where ESG risk analysis takes place during the credit assessment process. The Bank has included an ESG module in its credit process in order to gain a better understanding of its potential exposure to climate risk through 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.</p> <p>When extending credit, the Bank tries to be aware of the impact of the financed projects on both environment and people. The Bank excludes the following categories of customers due to sustainability concerns (even though these companies operate within the boundaries of the Norwegian law):</p> <ul style="list-style-type: none"> <li>Gambling companies</li> <li>Companies that produce or contribute to the distribution of pornographic material</li> <li>Disputed weapons production and weapons and ammunition producers/suppliers without government approval</li> <li>Tobacco companies</li> </ul> <p>Furthermore, the Bank does not extend credit for properties rented out to these categories of companies.</p> <p>Sparebanken Sør commits to ensuring that Eligible Loans do not relate in any direct fossil fuel energy generation and nuclear energy generation.</p> <p>The Bank confirmed that all underlying assets have received a building permit. Thus, an environmental risk assessment is conducted at the planning stage</p>	<p>Aligned</p>

<sup>38</sup> The EU Delegated Act identifies several climate related risk and classifies them into chronic or acute risks, Chronic risks include -changing temperature (air, freshwater, marine water), changing wind patterns, changing precipitation patterns and types, coastal erosion, heat stress, ocean acidification, sea-level rise, and solifluction. Acute risks pertain to – heat/ cold wave, wildfire, cyclone, hurricane, tornado, storm, drought, landslide, flood, and glacial lake outburst. For a complete list of climate related risk please refer to Section 2 of Appendix E of EU’s draft delegated regulation (Annex 1), at: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC\\_WORKFLOW](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW)

and relevant measures are applied to reduce identified risks.

Sparebanken Sør has integrated its ESG module in the credit processes for the corporate market. It is a mandatory module that is used for all loans, as well as all follow-up cases where the customer has a loan surpassing NOK 8 million. The ESG module has an extra focus on climate, which focuses specifically on transition risk and physical risk. Furthermore, the ESG module also assesses nature risk, social conditions and governance, as well as reputational risks. The customer and the case are graded in risk scores A-K. Their ESG risk score is used to determine approval of the loan request, pricing etc. All data from the ESG module is incorporated in the bank's data warehouse.

Through the ESG module the Bank maps the customers climate risk for both transition risk and physical risk. If the customer is considered to have a high ESG risk, their case will be lifted to a higher decision level than similar cases with a lower ESG risk assessment. The ESG risk assessment will determine if the customer is eligible for a loan or not.

As for mortgages the Bank has integrated information on the degree of physical risk to the mortgage object directly into the loan process through information from Eiendomsverdi, based on geographical data on physical risks.

The Bank confirmed that the processes for selection of Green Projects are aligned with Norwegian environmental legislations.

All potential adaptation efforts must be aligned with National adaptation plans and regulations. Sparebanken Sør will in general insist that any measures taken by borrowers are in accordance with national laws and regulations.

The buildings which can receive proceeds from instruments issued under this Framework are part of the top 15% energy efficient buildings in Norway or have undergone a rehabilitation with significant improvements of the energy efficiency. This contributes to climate change mitigation, one of the 6 environmental objectives of the EU Taxonomy. Further, the Framework also feeds into Norway's general national efforts to cut emissions by 50 to 55% by 2030 by focusing on the most energy efficient buildings.

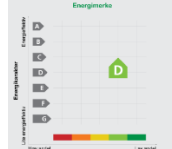
Sparebanken Sør does not own the underlying assets in this framework and therefore cannot commit to fixed timeframes for implementing

	identified adaptation solutions as this depends on the borrowers.
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## Appendix 4: Overview of Buildings Codes and Certifications Referenced

	<b>Norwegian Building Codes</b>	<b>EPC</b>
<b>Type</b>	Regulatory Code	Mandatory Rating
<b>Background</b>	<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>
<b>Certification levels</b>	Compliant or non-compliant status	<ul style="list-style-type: none"> <li>• A</li> <li>• B</li> <li>• C</li> <li>• D</li> <li>• E</li> <li>• F</li> <li>• G</li> </ul>
<b>Areas of Assessment: Environmental Performance of the Building</b>	<p><u>For TEK17:</u></p> <ul style="list-style-type: none"> <li>• Common provisions</li> <li>• Documentation of compliance with the requirements</li> <li>• Documentation of products</li> <li>• Documentation for management, operation and maintenance (MOM)</li> <li>• Degree of utilization</li> <li>• Calculation and measurement rules</li> <li>• Protection against act of nature</li> <li>• Developed outside areas</li> <li>• External environment</li> <li>• Structural safety</li> <li>• Fire safety</li> <li>• Layouts of and building elements in construction works</li> <li>• Indoor climate and health</li> <li>• Energy</li> <li>• Installation and plants</li> <li>• Lift safety inspections</li> <li>• Entry into force and transitional provisions</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Efficiency</li> <li>• Heating Rating (how well can the home be heated with alternative sources)</li> </ul>
<b>Requirements</b>	<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>



<b>Performance display</b>	N/A	 <p>The chart displays ESG performance metrics. A green 'D' grade is shown in the center of the chart. The chart includes a legend on the left with icons for Environmental, Social, and Governance factors. A color scale at the bottom ranges from red (low) to green (high).</p>
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## Appendix 5: Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Sparebanken Sør and Sparebanken Sør Boligkreditt
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Sparebanken Sør Green & Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 3, 2022
Publication date of review publication:	

### 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 GBP:

- |  |  |
|--|--|
| <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 checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> 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 category for the use of proceeds – Green Building and Access to Essential Service – is aligned with those recognized by the Green Bond Principle 2021 and Social Bond Principle 2021. Sustainalytics considers that the investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDG 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 GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

**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                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):  |

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

Sparebanken Sør's Green and Sustainability Bond Committee comprising representatives from their Group's Sustainability, Treasury, Corporate Management, Sparebanken Sør Boligkreditt, and other applicable business units will be responsible for evaluating and selecting projects in line with the eligibility criteria under the Framework. Sparebanken Sør applies risk management measures in its allocation to mitigate relevant ESG risk. Sustainalytics considers this to be in line with market practice.

**Evaluation and selection**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability 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 Green 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**

- |   |  |
|---|--|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |  |

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section (*if applicable*):

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 green and/or sustainability bonds, and any unallocated proceeds will be held or invested in money market instruments within 24 months of allocation, in line with the best market practice.

**Tracking of proceeds:**

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

**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 quarterly allocation reporting until the bond are fully allocated, including relevant quantitative metrics such as greenhouse gas emissions avoided, number of hospitals, public education school funded. Sustainalytics views these allocation and impact reporting as aligned with market practice

**Use of proceeds reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (*please specify*):

**Information reported:**

- Allocated amounts
  Green Bond financed share of total investment
- Other (*please specify*):

**Frequency:**

- Annual
  Semi-annual
- Other (*please specify*): Quarterly

**Impact reporting:**

- Project-by-project
  On a project portfolio basis
- Linkage to individual bond(s)
  Other (*please specify*):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings
- Decrease in water use
  Other ESG indicators (*please specify*): As specified in the Framework

**Frequency**

- Annual
  Semi-annual
- Other (*please specify*):

**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:**

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

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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